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ABSTRACT

The recent upsurge in persistent urban poverty has been generated by a particular set of American political responses to structural transformation of the global and domestic economies, exacerbated considerably by a long process of highly subsidized suburbanization and racism. Persistent poverty is connected to the following structures and processes: (1) the global economy; (2) the United States' industrial structure; (3) Federal social policy; (4) urban labor markets; and (5) local politics and policy. The increasingly integrated and competitive global economy has forced U.S. corporations to search for cheaper ways to compete, resulting in a steady erosion of the power of the working man in the United States and a reduction in his standard of living. Job losses, cuts in social programs, and the replacement of community and collective interests with self-interest have worsened the situation of Blacks and Latinos, who have traditionally suffered from low wages, bad housing, and poor schools. The situation of the poor can be radically improved through a staged process of local empowerment, the formation of new political coalitions, and the consequent "bottom up" restructuring of national priorities. Statistical data are presented in six tables and 30 graphs. (FMW)

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# Generations of Poverty: America's Underclass as an Economic and Political Dilemma

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# Generations of Poverty: America's Underclass as an Economic and Political Dilemma

William Goldsmith
&
Edward J. Blakely

with Lisa Bornstein,
Elizabeth Mueller, and
David Campt

February 1991

University of California at Berkeley
Institute of Urban and Regional Development

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# PREFACE

Crowded and isolated Black and Latino neighborhoods are marked by economic deprivation and social depression. Many residents of these neighborhoods are disconnected from the larger society, no longer able to share in the values or social norms of majority America. The study of this concentrated poverty has become a new mini-industry. There has been a spate of books, reports, and articles on the phenomenon, which is variously known as "persistent poverty," the "underclass," or the "new poor." The authors of this book reject the label "underclass" because it is demeaning and "new poor" because it is inaccurate. We find it more profitable to focus on the problems of separation. Poverty has always afflicted America, and even long-term poverty has been an issue during other periods of the nation's development. Today, American society faces a period of growing social and economic separation, caused by worsened opportunities for the poor and resulting in more destructive long-term consequences for them and the society as a whole.

We begin with the idea that global economic restructuring has since about 1975 altered the way political and social institutions work at every level in America. Until politics and economics are again reshaped, the problems of urban poverty will remain severe. Reshaping may begin as the pressures from urban separation force community-level institutions and politics to respond; in their response we believe these institutions should be strengthened, restructured, and redirected. Multi-local coalitions should be formed to press for re-allocation of federal resources in favor of domestic needs and for re-regulation of the national economy in favor of workers and common citizens. Only then can a successful attack begin on the problems of persistent poverty.

To set the stage for directing the reader's attention to the conditions under which neighborhood organizations and municipal governments can mount a successful attack that will modify the structure and management of the national political economy, we have collected props from a wide-ranging survey. We begin by looking at such broad concerns as the behavior of the global economy, and we conclude with a focus on such narrow questions as the viability of particular municipal programs to alleviate poverty.

In the middle sections, our survey shows in detail how persistent poverty in American cities is connected to various influential structures and processes: the global economy, the U.S. industrial structure, federal social policy, metropolitan labor markets, and finally, local politics and policy. We imagine a network of connections. At each of five nodes some of these processes are going through changes, being "restructured" or reorganized.

Until quite recently it was assumed that basic needs--such as housing, education, health care, neighborhood safety, and jobs--could be made available to nearly all Americans. Programs to provide these necessities had been expanding for over 50 years, the guarantee becoming over time more accepted as a social responsibility; but suddenly this basic commitment to a social contract has been changed. American society now promises little and delivers less to people or communities who cannot provide for themselves. In the process of transformation, the world's richest nation is creating a third-world sub-society within its own borders.

Policymakers have adopted three ways of thinking about these emerging problems. Some hold to the notion that poverty is increasing because a lax welfare state has generated a large group of "non-participants," "marginal people," bums Probably a larger group of policymakers think the rising problems of the poor are caused simply by cutbacks in resources devoted to social equity. A third group sees poverty as an almost inevitable consequence of the vagaries of the market, made worse in recent years by globalization of the economy and lack of a national economic plan.

Our argument is that the recent upsurge in persistent urban poverty has been generated by a particular set of American political responses to transformations in structure of the global and domestic economies, exacerbated considerably by a long process of highly subsidized suburbanization and by racism. The purpose of this book is to support this argument by reviewing and interpreting research on the global economy, industrial change, and public policy. In doing this we are able to estimate their combined effects on cities, neighborhoods, and residents.

Since the late 1970s the global economy has become increasingly integrated, and American corporations have moved world-wide in search of cheaper ways to produce to meet stiff competition. As a result, American workers have felt a steady erosion of their power and a persistent reduction in their standard of living. There is a trickle-down effect in reverse, a backwash that swamps American labor. Unskilled workers have been marginalized by widespread plant shut-downs and blue-collar lay-offs, and they have found a paucity of good career ladders, stuck instead in low-wage, dead-end, service jobs. At the same time, many poorly prepared immigrants have arrived; many women have come to head families, finding themselves unable to support households on their own;) and discrimination against minorities has continued. While some Americans have benefitted financially from the post 1970 changes, the poorest have been pushed down or cut adrift. The federal government, preoccupied with global-economy issues, and careful to be responsive to the growing demands of its new, upper-middle-class, suburban constituencies, has sacrificed the urban poor. State and local governments have also retrenched, adding to the crisis, by responding to demands for austerity from business, tax-paying voters and public officials alike.

When the squeeze came from the global economy, public institutions were unprepared to relieve the inevitable difficulties the poor would encounter. Corporate redeployment and government economizing insured that city labor markets would turn sour, especially for basic jobs. Federal funds for cities and poor people were cut and guarantees for benefits and services were reduced. The tax revolt was managed by new politics that coalesced after 35 years of white, middle-class suburbanization; the budget reductions hit hardest of all on public jobs and services in central cities. In the scramble to survive from shutdowns, contractions, layoffs, and budget cuts, everyone with any power tried to get out and get ahead, and those with less power got left farther and farther behind, increasingly separated from the main society.

The majority of Black Americans and Latinos already were subjected to relatively low wages, bad housing, and poor schools. Most women supporting children by themselves already had great difficulties. New immigrants from Latin America and South East Asia were already near the bottom. In earlier years, economic growth and the development of a more liberal society had allowed some in such situations to escape the poverty of the ghetto and the bad barrios, and because many believed in this promise, some communities had an aura of hopefulness. But with the job losses and the program cuts replacing sound economic growth, and the new self-interest replacing community and collective interests, the situation worsened for those left behind; their expectations plummeted, and their communities became isolated.

We find that cities and even neighborhoods have had to turn more and more to their own energies and resources. It is true that they are strapped tightly to small budgets, have made little dent so far on the most serious problems, and will ultimately have to depend on private-sector job growth and re-established, well-funded, federal transfer programs. But local governments and community-based organizations are close to problems, and they have both the opportunity to become involved and the need to revitalize these poor communities. Their role in solving community problems has escalated over the last two decades, along with rising expectations for them to intervene. City halls and community organizations are therefore forced to innovate, press demands, and represent neighborhoods.

From this pessimistic dilemma arises the main line of our optimism, our principle recommendation for policy. At the national level, action to reduce poverty is at a standstill, or worse. At the local level, resources are not available. But because problems are deep, apparent, and threatening to local authorities, local political movements have grown more successful; both community organizations and city halls have turned seriously to the task of dealing with poverty. As they well know, on their own they cannot succeed; but through cooperation, through state and national coalitions, and by means of other influences on national politics, these progressive local political movements can move toward success. New policies should be directed toward strengthening such possibilities.

In Chapter One, after a cursory review of theories of poverty, we lay out our major thesis and preview the various arguments and findings of the book. In Chapter Two we document the appalling conditions of poor and minority people in central cities, explaining why persistent, concentrated, urban poverty ought to be seen in relation to the separations that result from inequalities in the entire distribution of income and wealth. In Chapter Three we analyze the connections between the structure and movement of the new global economy and the dilemmas of the poorest Americans. There we examine widely dispersed, globalized markets and production arrangements that are managed by the tightly centralized control systems of major corporations. In Chapter Four we extend the arguments and see how changing industrial patterns have worsened the structure of opportunities facing most American cities and workers. Simultaneous dispersal of jobs and centralization of management have removed good jobs from cities and left behind minorities and women, and their children. With limited social contact outside their embattled neighborhoods and with weakened social contracts tying them to the larger community, these people have settled into a persistent poverty that leaves few routes for escape. In Chapter Five we first see how economic changes have led to a new, conservative politics. We then examine policies of the federal government, local government, and community-based organizations, finding what is innovative about them and what constrains them. There we argue that only through local reconstruction and a new organization of politics, involving grass-roots and neighborhood groups in new ways, will pressure build up for the required transformation in national politics that will rechannel funds toward domestic needs. In the end, democratic participation and politics will have to take control of the economy, or else poverty will indeed persist. The sources for new change are to be found in coalitions formed from below. Finally, in Chapter Six we propose specific ways that new energy and attention can be refocused in improved policies at all levels of government.

There is a tension throughout this study. We are faced with a conflict between two findings. On the one hand, powerful global economic forces play a major role in determining the life chances of American citizens. On the other hand, the situation of the poor can be radically improved through a staged process of local empowerment, the formation of new political coalitions, and the consequent reformulation of a national agenda.

The reader may find, concerning the first view, that the arguments in Chapters Three and Four appear to be top-down and accepting of the force of structural arrangements like competitive markets, and too despairing of the potential good influence of human agency, through social movements, political action, and the like. The arguments in these chapters display our deep concern that global economic forces be better understood by the nation's policymakers, so that global contributions to severe poverty in American cities can be traced through to corporate behavior in a newly expanded, more competitive, and highly integrated world market.

At the other extreme, the reader may find that the tasks we set in Chapters Five and Six for changed local governments and coalitions of local forces are too demanding; chances for challenging and improving federal policy may seem remote. We acknowledge this risk of asking the reader to examine both sides of the question, but do so because the problems of urban poverty in the United States today are immense, and their resolution will require complex solutions and far-reaching changes.

This study began in 1989 for a report to the Rockefeller Foundation on the current state of research on persistent and severe urban poverty. The idea grew our of the authors' discussion with James Gibson and Erol Ricketts, who were concerned with the relationships among economic structure, local institutions, and persistent poverty. The Foundation's Equal Opportunity Division provided generous financial support. Our survey of research and analysis was done together with a team of graduate students at Cornell University and the University of California at Berkeley; Lisa Bornstein, David Campt, and Elizabeth Mueller researched and drafted chapters; Robert Letcher, Sharon Lord, Susan Sullivan, and George Washington assisted. The work was done mainly under the auspices of the University of California's Institute of Urban and Regional Development. We thank Marie Floyd, David Van Arnam, and Demetra Dentes (at Cornell) for editing and typing; and Cathy Girardeau and Arleda Martinez, who efficiently helped with typing.

# CHAPTER 1 -- AMERICAN URBAN POVERTY: TOP-DOWN ECONOMICS AND BOTTOM-UP POLITICS

The nation's economy and politics are being transformed. Traditions of social relations are disintegrating. For the first time in many decades, the basic social contract that connects people and opportunities is breaking. Urban poverty is increasing. Economists explain the reordering in terms of "industrial restructuring," as adjustment to changed international economic circumstances, but that seems too restrictive. Many Americans feel changes that are deep, broad, and destructive. For them, transformations in America are manifest not only as form of doing business adjust to the internationalizing of the economy, but also as the national value system re-aligns to further separate haves and have-nots. These equally deep and disturbing upheavals of values and politics are related to the changes in the economy, to be sure, but the large-scale forces at work in the economy are only one part of the energy behind shifting social and economic values. Basic agreements about rights and obligations have broken down, and the resulting friction has scraped out an even deeper gulf between the middle class and the poor. Public agencies are not building new bridges. People trapped in poverty are not only deprived of resources and denied opportunity to help themselves, but they now find few allies to help them rise from their difficulties. Community institutions are overwhelmed. By default, they are becoming the principal vehicles for intervention against the problems of persistent poverty, but they have insufficient capacity and find meagre federal support.

The nation must undertake a process of economic democratization. Economic institutions--practically the entire private sector--have run away from society. They do not provide adequately for the bottom 15, 25, or even 35 percent of the population, nor generally for persons of color. Public agencies, in their concern with protecting large business firms from aggressive international competitors, have forgotten about people. Reform of public institutions at the national level is badly needed; it is most likely to come about through coalitions of interests at local levels that forge new wealth and new opportunities for residents and employees. To reform the rules governing the private economy will require intense pressure and imaginative problem-solving. George Bush's "thousand points of light" may shine, but they must be focused on the sources of the problem, not just the manifestations.

In our argument a prism of public policy filters energy from the larger sets of social and economic affairs that shape the nation's place in the world and its vision of itself. From darkness to light, the refractions can be rearranged, worsened, or improved by well-designed policy. Today, in spite of better options, poverty arises, persists, and expands in America because misguided policy imposes severe limits on powerless people, leaving them with too few opportunities As long as the nation allows unfavorable international economic circumstances to shape unchallenged our long-run, national, social goals and political strategies, as well as our competitive tactics, then options for the poor will be inadequate and poverty will increase. Persistent poverty is a manifestation of how people are treated by politics and social programs within the larger economy. It is not an aberration, not merely a temporary problem, not a simple consequence of the organization of the domestic or global economy. The persistence of poverty symbolizes an important divide--a watershed for the nation's philosophy and its political structures. Large and growing differences in income and resources are not merely damaging to the lives of the poor, but almost inevitably lead to suppression of basic rights of the many in order to guarantee opportunities for the few.

## THEORIES OF POVERTY

Persistent poverty is a complex phenomenon. As a basis for discussion, there must be some agreement on meanings. There are three usually competing, sometimes overlapping concepts of poverty. These concepts focus either on the behavior of the poor, on liberal public policy, or on economic structure: in other words, on the individual, on temporary circumstances, or on basic structure and politics. The first sees poverty as pathology. This behavioral view is epitomized by the works of Oscar Lewis, Edward Banfield, George Gilder, and Thomas Sowell.[1] Policymakers who subscribe to this view blame the persistent poor in American cities for being victims of their own personal, psychological and motivational inadequacies. Other writers invoke similar ideas that are poorly disguised expressions of racism, sexism and individualism. Lewis' more generous conceptualization was originally aimed at the complexities of third-world modernization and urbanization. It has been used more recently by conservative policy analysts in superficial and selfish ways, as a means of disconnecting the plight of the poor not only from the responsibilities of others, but also from the impediments of their situation.

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[1] Lewis, Five Families; Banfield, The Unheavenly City; Gilder, Wealth and Poverty; and Sowell, A Conflict of Visions.

Fortunately, the whole notion of the culture of poverty and its suggestion that the poor are irrational (and therefore to blame for their own problems) has been undermined by excellent formal studies and criticism.[2] A whole tradition in fiction testifies to the difficulties imposed on the poor by those who subscribe to demeaning stereotypes. James Baldwin shows how New York's police and courts entrap and then condemn an innocent young sculptor; Fony's dilemma in If Beale Street Could Talk is that in spite of his talent, honesty, and enterprise he cannot escape the punishment inflicted by those who believe or use the negative stereotype of the young Black man. Oppressed or unfortunate people positioned at the bottom, where the society itself is most unfair and irrational, will sometimes behave, it is true, in ways that appear to be self-destructive because they have no other choice. In the extreme, as Jonathan Kozol argues in Rachel and Her Children, many of them (the homeless in this case) begin to believe they are worthless because that is how they are treated. The underlying reality is very different. Most often their behavior is reasonable, given the limited range of accessible options, their restricted backgrounds and skills, and the dangers inherent in experimentation, such as seeking a new and distant job.[3]

---

[2] Associated with Valentine, Culture and Poverty, Leacock, The Culture of Poverty, and Liebow, Tally's Corner, in the United States.

Elements of this notion of a culture of poverty do still play a role, of course, in theory as well as reality, and assistance must be provided to help truly marginalized people move into the mainstream, or to cushion the pain for those who cannot adjust. But this behavioral approach is not a fruitful path for our discussion.

In the U.S. case, it is also common to understand *poverty as incident or accident*. Throughout most U.S. history, certainly post-World War II, it was not unreasonable to envision rising tides, lifted boats, and an ample supply of life-savers or safety nets to rescue those "accidentally" thrown overboard. Optimism and increasing affluence were conditioned by a social and political sense of responsibility, kept current by the demands of the struggling poor, unions, neighborhoods, and, sometimes, victims of racial and ethnic discrimination. In a continuation of the tendency toward social democracy from the 1930s, interrupted only temporarily by the reactionary anti-Communism of the late 1940s and 1950s, the American social contract provided transfer payments, gradual expansion of entitlements, and the elaboration of public services and protections. These programs effectively limited (but did not eliminate) poverty, led to expectations of further improvement, and were even accompanied by some caps on extravagance, such as progressive taxation. In this situation, poverty still existed, but it was less onerous and it was perceived as temporary. The opportunity structure was seen to be strong enough to allow all those who were willing to move into decent, rewarding life conditions. Exponents of this view tend to think poverty is easily, rather mechanically remedied, through public programs that provide short-term relief. Unfortunately, there are few good examples of such programs, other than disability payments or unemployment benefits. The chief illustration of success is the long-term, large-scale reduction in poverty among the elderly that has resulted from Social Security pensions and Medicare benefits.

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[3] This theory has been effectively attacked in the Third World as well, for example, by Hill, *The Migrant Cocoa-Farmers*, in Ghana, who celebrates the sharp market rationality of small farmers; Singer, *Towards a Political Economy*, in Sao Paulo, who explains how broader economic and political circumstances limit the power of neighborhood organizations; and Perlman, *Grassrooting the System*, who buries the myth that Rio's Slums are marginal to the society.

No doubt this liberal, macro-social view must be taken into account. For just one example, a strong demand for labor, to create numerous and well-paid jobs, is a necessary basic factor in any fight against poverty, and it must be supplemented by generous unemployment insurance and health and retirement benefits. But, while necessary, such factors and policies are far from sufficient, especially in the contemporary battle that needs to be waged against persistent poverty and the growing isolation of impoverished communities.

In the third and most comprehensive view, we see persistent poverty as structure. Certain patterns of large-scale socio-economic arrangements, and change, create poverty and prevent its alleviation. Some students of the international economy mark the beginnings of a new era of global capitalism as early as the mid- or late-1960s, but the generally accepted date seems to be 1973 or 1974, after the first global oil price shock--when a new world economic pattern took hold of the American economy. Perhaps the most striking feature in the minds of many Americans is the fact that since then the federal government has been unable to exercise clear and independent influence over the domestic economy. For example, it has become much more difficult, if not impossible, for the Treasury and Federal Reserve to use Keynesian tools to control inflation, unemployment, and interest rates simultaneously. The old relationships no longer hold--largely because the U.S. is now much more integrated into a global economy, with numerous powerful nations participating indirectly in the domestic economy. By remote control foreign corporations or central banks can manipulate U.S. economic forces in much the same way that U.S. multinational corporations,, the Treasury, and the Federal Reserve System have for many years manipulated third-world economies. The balance of power lies with foreign markets, corporations, banks, and governments, as well as U.S.-based corporations themselves operating overseas.

This globalization and its causes have forced massive changes in the industrial structure of U.S. cities, reinforced by federal policy and only weakly resisted by local politics. Patterns of international migration have changed, and so have labor markets. After a long post-war climb of increasing industrial productivity and rising real wages, the economic expansion has slowed and begun to slide backward. With few exceptions, minority populations in central cities are now more than ever victims of poverty, marginalized and exploited, pushed aside when they are not needed, or employed at low wages when they are. An uneven and undependable labor demand has always threatened the poor, but the global changes of recent years have made the market even less forgiving.[4]

Unfortunately, just as its leadership would be most helpful, the federal government has turned its back on the poor. Unable to control global economic events easily, the government focuses almost entirely on responding to these events; preoccupied with the complexities of international competition, it pays little attention to domestic problems. In the best of cases, America's tradition of public responsibility for the relief of social problems is weak and recent. Social democracy and even populism--to say nothing of more radical political practices and theories--are not deeply imbedded. In times of stress and rapid change, such as these years of global market and corporate reorganization, the poor get left out unless they threaten to weaken the economy or disrupt social peace. Powerful interests are reconstructing society and politics, sometimes quite consciously. Successful citizens are rapidly moving to distance themselves from poor people, not only in obvious economic ways, but socially, occupationally, and geographically.

To recapitulate, Americans have perhaps most often thought of poverty as incidental, ameliorated by social and economic policy, and associated with the circumstances of the person or the place. From the early 1940s until the mid-1970s, severe poverty was generally viewed as primarily temporary, arising from circumstances affecting under-skilled individuals, people in rural areas, and a few inner-city neighborhoods. The government responded to these conditions with a set of specific programs designed to improve the skills of poor people or to alter the circumstances and expand the structure of opportunity in both urban and rural communities. These programs were generally effective in dealing with the problems of the elderly or of married couples or families who were socially or physically isolated. But they never provided the means for profound social transformation, and recently even these programs have been drastically reduced, the rationale for reductions provided by reactionary theories that see poverty as a personal, behavioral problem, casting blame on the victims. The residual assistance is not only insufficient but inappropriate to address the needs and changed circumstances of a rising and desperate poverty.

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[4] For a similarly pessimistic interpretation, see Darity, "Racial Inequality."

## PERSISTENT POVERTY AND THE DISTRIBUTION OF INCOME

The evidence of persistent poverty is overwhelming. As statistics in the next chapter demonstrate, a sizeable group of people in the U.S. is severely poor. They are disproportionately African-American and Latino, and they have become highly concentrated in large central cities. Very poor people and their neighborhoods face truly severe problems. Some of the problems are general, requiring pervasive remedies, like low incomes, lack of resources, and inadequate public services; and some are specific, perhaps subject to focused solutions, like homelessness and poor housing, crowded or poorly run schools, and dangerous drug dealers on the streets.

The Bureau of Labor Statistics used to define a "low budget," below which they said families could not realize "a sense of self-respect and social participation." The BLS no longer provides such a measure, but the Social Security Administration does; they specify an even lower, bare-bones budget set at three times the minimum cost of food. This SSA poverty line is 40 percent below the updated BLS self-respect line.[5] The total number of poor people (by the more stringent and therefore more conservative SSA measure) grew for about fifteen years until 1983, the last peak in the published statistics, when 35 million people, at least one of every six or seven persons in the population, were officially poor.

Even the notion of the American middle class turns out to be not particularly well-supported by the data. In 1967, for example, 55 percent of *full-time* workers did not earn enough to purchase a lower-middle-class living standard. The BLS "typical family" of four, with working man, housewife, and young children, needed at least $21,000 in 1986 to purchase the "lower-middle" consumer basket of goods and services,[6] but half of the country's full-time workers still earned too little to buy this much, without supplementary income from a working spouse. Sixty percent of Black men with full-time jobs in 1986 fell below this middle-class standard.

Many workers of course live in households with two earners, more so as more women have taken jobs outside the home, thus allowing more families to squeeze into the middle class. But many others, either with only one worker, no full-time or permanent worker, or on low wages, fall far below even these minimal standards. Many are persistently poor.

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[5] In 1988, this rock-bottom official line was $5,800 for one person, $11,600 for four people, and $23,000 for a family of nine.
[6] $6,380 in 1967, inflated to $20,952 in 1986.

If we move to *relative* standards for comparing incomes, things have become worse at the bottom, in part as a consequence of improvement at the top. In recent years, even the middle class has been more sharply divided into upper and lower tiers, from a worsening of the already bad distribution of family incomes. As the television-sanctified standard of living rises, the relative position of the poor falls even farther than the absolute statistics suggest. This effect is relative, but it is none the less real and still important.[7]

The increasing division of mythical Middle-Class America into richer and poorer has another indirect consequence for the very poor, as well. The quote of today might be, "I'll get mine." As the top 20 percent get richer--and they have the most influential names, voices, and faces in the press, on TV, in business, in government--then the public policy they formulate appears more and more to be aimed at benefitting the upper end. None of this is entirely new, but it seems greatly expanded. In earlier years, Ralph Ellison wrote of the Invisible Man, Michael Harrington of the Other America. Richard Sennett warned about the dangerous political and social isolation of suburbanization, the Kerner Commission pointed out the depth of American racism, and John Kenneth Galbraith cried out against the money wasted on tailfins that should be spent on schools. If there is a bad strain in American individualism, in the last decade it has been worsened, reinforced by changes in the global economy.

The demographics of poverty have changed, as well. Women have traditionally been parts of families, joined by men in withstanding the problems of low wages or temporary unemployment. Some women, to be sure, including many Black women, could not escape severe poverty even in earlier times, but now in ever increasing numbers poor women and their children stand alone. Race and ethnicity also play a big role. Two-thirds of the white women who work full-time earn less than the middle-class cut-off wage; by the same standard, three quarters of working Black women earn too little. Income disparities between Black and white families, which had declined for many years, are increasing once again. The same relative worsening is true for Latino families.

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[7] See Gates, "T.V.'s Black."

In the 1952 utopia Player Piano, novelist Kurt Vonnegut imagined an America divided in two. At the top, a tiny group of managers, engineers, and technocrats use their brains and positions to guide the future and protect their privileges. At the bottom, everyone else, an underclass of "wreaks" and "wrecks," do the dirty, dull, and unskilled work, serve in the repressive army, or just hang around, unemployed, drinking, miserable. H.G. Wells predicted an even more dramatic class division in The Time Machine. Is it possible that Vonnegut's was a real, not fictionalized future? Will exaggerated inequalities be a prominent component of the New America? Is the nightmare on the way? Is America beginning to retreat, divide in two? Are we eroding the middle-class gains of a half century, tearing up the foundations of the future? Will the underground vestiges of the U.S. working class play out H.G. Wells's prediction for England and devour the above-ground vestiges of their rulers? Fortunately, we cannot yet answer affirmatively: the evidence about the depth of division rending the middle class is worrying, but it is filled with complexities and difficult to interpret. However, there can be no such doubt about what is happening at the *bottom* of the social class structure, where the evidence of debilitating poverty and isolation is overwhelming.

> *Chicago's newly expanded downtown pedestrian system is, by any criterion, a planning success story. Connected directly to one commuter rail station and to the subway transit system and serving many of the larger downtown office, government, and retail buildings, the pedway's climate-buffered tunnels are usually crowded during the day in both winter and summer. . . One can sense. . . socioeconomic and racial distinctions between tunnel users and street-level pedestrians. . . . The private segments of Chicago's pedway system may be well along in the process of being transformed into underground honky tubes.*
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> *Martin Jaffe, Planning Magazine, March 1989, p. 54.*

We see dichotomies in American society everywhere. Corporations build magnificent office towers where they manage world-wide networks of factories, offices, and high finance. These global headquarters rise above the latest "public" squares, the enclosed, air-conditioned, privately-owned atriums. In adjacent neighborhoods, there are families in welfare hotels and homeless on the streets. In 1988, top officers of the largest corporations took home paychecks averaging two million dollars, up 14 percent from the year before. The best paid manager, who sits atop Disney Enterprises, "earned" upwards of $40 million dollars.[8]

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[8] *Business Week*, May 1, 1989: 708 executives in 354 companies.

But even these global corporations pay low salaries to many of their domestic workers. Both inside and outside the corporate sector are problems of unemployment, low-wage work, and dependency that afflict people who live in poor, minority neighborhoods. City and suburb, Black, brown, and white, immigrant and native-born do not all fit on the small sunny islands dotted beneath the cold storms of discontent and distrust.

## THE GLOBAL ECONOMY

Pathologies of the poor did not cause the growth in persistent poverty. The inadequacies of federal relief alone do not cause poverty, although better policies will be necessary to provide relief. Sharp shifts in world-wide patterns of economics and politics laid the basis, and layoffs and low wages then combined with an untimely and ill-designed political shift and fiscal withdrawal to cause the recent growth of poverty.

In the post-oil-embargo period, the American economy externalized itself. That is, industrialists moved to a global strategy for wealth creation. The American market became just one of many important markets for American and other world-market firms. This transformation has made enormous differences to the national economy and to the position of the American worker and consumer. The national economy no longer absorbs the national labor pool in the old way.

The whole world has become an arena for direct investment in search of profits. The world is tied together by advanced technology, a more hierarchical corporate structure, and cheaper and faster communications and transportation, as well as an exclusive political and military network of repression and control. Consequently, production is now organized from a few world cities, but can take place almost anywhere on earth. The U.S. has become much more a part of an interactive world economy, no longer just a giver of signals, but a receiver, too, which makes it more vulnerable.

## THE NEW CONSERVATIVISM

The federal government has re-oriented itself within this global context. Virtually unable to respond to poor people's needs, apparently disinterested in their problems, the government is constrained by the pressures corporations exert in their need to deal with foreign competition. Effective public policy no longer treats the accidents or incidents of severe poverty as a central concern, in spite of the growth of federal transfers from the 1930s through the 1970s. This is not, by the way, a problem peculiar to the United States, although it may be most severe here. The Canadian government proposed in April 1988 to cut gaping holes in its well-knit "safety net," various northern European governments have sent "guest workers" home to southern Europe and Africa in the 1980s, and the British government has dismantled public housing, creating a class of homeless people there, too.

In this context, "old" incidental poverty is changed into "new" structural poverty. People aren't poor just for awhile. Most people can't shift paid employment back and forth from spouse to spouse. Those at the bottom of the economy are poor and stay poor, their children are poor, and they end up virtually excluded from society. Racism, still one of the principle allocators of this globally derived poverty in the United States, is then used to rationalize the situation.

## JOBS AND PEOPLE IN U.S. CITIES

Global economic changes have severely affected the geographic pattern of industrialization in the United States. Differential rates of industrial expansion and decline in different sectors of the economy have had widely varying effects on cities and regions of the country. They have also influenced metropolitan form, giving further advantages to suburbs, and raised the costs borne by the central cities, while simultaneously reducing their revenues.

Places and labor forces that served previously as significant resources for the national economy have suffered fates similar to poor people themselves. Cities like Detroit and Akron, which earlier enjoyed strong and viable economies, have drifted into distress. These cities have large numbers of unskilled and semi-skilled workers, who used to be valuable, but have now been abandoned by companies which either closed or relocated.

Transformations in the nation's economic geography put the poor and the very poor in competition with each other and with workers around the world for a limited number of jobs. The very poor are the losers. The new geography of economic distress is reflected in striking ways, not only in the nation and in cities, but within neighborhoods as well.

For years, long before the recent surge in globalization, factories (and later offices) moved to the suburbs; residences moved too, the suburbanizing white majority aided by gigantic public subsidies for highways and home-ownership, the urban minority hindered by discrimination and poverty. In the last 20 years, suburban growth has been matched by a severe decline of central-city manufacturing and even office employment, cuts in city tax bases, and the elimination of public jobs. It didn't happen overnight. The changes have been building for years, as statistics on Cleveland for the 1960s and 1970s show:

> The City of Cleveland lost 14 percent of its population and 17 percent of its jobs in the 1960s. . . . From 1969 to 1976 the metropolitan area lost 21 percent of its manufacturing employment, some 65,000 jobs. . . . In 1975 the premature birth rate (which is associated with serious illnesses, such as retardation, blindness, and cerebral palsy) was 43 percent higher in Cleveland than in the State of Ohio as a whole. . . . It was estimated in 1976 that 40 percent of all seventh grade students in Cleveland [would] never finish high school.[9]

This has continued through the 1980s, as recent statistics in Oakland, California, show. The official unemployment rate there, in spite of its location in one of the country's most robust regional economies, is 6.2 percent, not counting people who have given up looking for work or those who are sub-employed; Oakland accounts for more than three quarters of all illnesses in the county, but has only one-third the population.[10]

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[9] The rate was about 15 percent for the State of Ohio. Goldsmith, "Poverty and Profit."

[10] According to figures provided by Gari Oliver, Alameda County Health Department.

Expanding numbers of policemen and schoolteachers once provided evidence for Kenneth Clark's theory that ethnic groups can get "locks" on whole sectors of jobs. Throughout the country's cites today, however, the number of employees in the police, the public schools, and other public institutions has either stopped growing or declined.

In some American cities, the Third World has literally arrived. Immigrants, such as Central Americans or Indochinese, cut loose from their societies, often as a result of American overseas military adventures, now compete with the "old" central-city poor for jobs and benefits. Cities like Los Angeles and New York are becoming third-world production centers. Poverty in these situations becomes a principal component of the economic system rather than an aberration. Attempts to improve the conditions of labor are sometimes resisted even by the communities themselves, since workers fear unemployment when there are no apparent alternatives to low-wage work. These problems are especially prevalent in illegal economies that flourish in the poorest communities. Drug dealing and other illegal businesses have been able to tap poverty areas as resource pools for employment, replacing legitimate employment in manufacturing and other spheres, as jobs are cut and entry requirements outstrip the skills or education of the poor.

A new geography of economic distress emerges within the nation, within cities, and within certain isolated districts of the city segregated by race and ethnicity. Not only do new locations of employment emerge, but so do new forms of employment rationing, with segregation by industrial sector, so that minority groups are restricted to competition with one another for jobs in the same industries. Latinos are both pulled and pushed into the garment industry; Blacks into low-skilled manufacturing; new Asian immigrants into food services, and the like. This new rationing system produces an artificial restraint and a limit on the employment mobility of many minority-group members, and, standing Clark's theory on its head, it locks a stratum of each minority group onto the lowest rung of the socio-economic ladder.

Poor neighborhoods, especially minority neighborhoods, are increasingly physically isolated. Labor markets are highly segmented by skills, social class, ethnicity, race, and gender. The unskilled, poor, and dark-skinned are left behind: persistent poverty and separated communities are produced. The Other America, the Invisible Man, and suburban isolation turn up as central themes in a process of startling and threatening social dislocation.

> *The violence, especially the murders, still tends to occur where the drug dealers hang out, in poor neighborhoods, but so much of it is occurring now that I fear we're raising a whole generation of kids that will see violence as a way of life, in or out of their neighborhoods.*
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> *Stephen E. Rickman, director of statistical analysis for the City's Office of Criminal Justice Plans and Analysis, reported by B. Drummond Ayres, Jr., New York Times, February 6, 1989.*

## THE SOCIAL CONTRACT AND SOCIAL CONTACT

Poverty is related to the social structure in which the individual is integrated into the community. Social structure in America is directly related to family structure. Two-parent families are the vehicle for social and economic mobility. Very few two-parent families are poor, and even fewer are persistently poor. The rising tide of single parents--especially minority teenage girls--is creating a new and unmanageable social situation. These unmarried, under-educated, and frequently child-of-a-teen parents are not being integrated into the social system. Their expectations for life and their aspirations may be similar to those of the general population, but their personal, family, and community resources are nonexistent.

Strong family and community structures provide forceful and useful avenues to mobility for most people. Most jobs for both young people and adults are found through family and community networks, not job advertisements.[11] Opportunities for education are similarly distributed via relatives, near-relatives, and community associates. Over the last two decades, Black middle-class mobility, including moves to the suburbs, has weakened the link between lower-class and middle-class Blacks. This lack of role modeling, support, and connection with formal economic and public institutions within the Black community has many implications, which are only now being researched and are still very little understood.[12]

As the Black and Latino middle class become increasingly suburban (even if in segregated suburbs), their links to people in poor neighborhoods become less direct and more channeled through other institutions, such as government and social service organizations, schools, or churches, which tend also to decline in effectiveness as neighborhoods become poorer. Irrespective of the origins or character of these changes, there are clear indications that the increased physical, social, and psychological distances impose a cost, a reduction in options, by diminishing the social and economic mobility of minority poor people. The absence of linkages, networks, or other community and family resources prevents the very poor from improving their circumstances or from transforming temporary conditions of poverty to permanent conditions of hope.

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[11] Vipond, "The Intra-Urban Employment Gradient."

[12] Van Haitsma, "A Conceptual Definition."

The drug and gang culture is becoming an alternative social system in the absence of more stable and productive norms in inner-city poverty areas. This new culture has as much depth locally and is as influential on the lives of the inner-city poor as is the greater culture. In fact, there is ample evidence that the greater culture has very little to offer those trapped in the inner-city. The gang culture, on the other hand, offers a sense of stability, warmth, and belonging that is the hallmark of a civilized society.[13] In the absence of better alternatives, young people are pulled into gangs and drugs, which inevitably lead to greater distancing from the larger society. Crime within the persistently poor population works to transfer poverty into multi-generations. A parent in jail is unable to support children, not only while in jail, but usually subsequently. The introduction of crime into the home is not lost on the young as a way of life, even as a preferred way of living. Neighborhood surroundings, peer pressure, and strictly limited connections to mainstream employment channel young people, particularly men, in certain directions The results are predictable and tragic.

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[13] Shorris, "The Priest," gives us a glimpse of this alternative society in today's Los Angeles.

> *The only clinic providing routine health care to the bulk of [Oakland, California's] poor closed today, a victim of insufficient state reimbursement . . . The closing leaves patients on public assistance without ready access to doctors just as a surge in the use of crack has brought a dramatic increase in problem pregnancies and an exceptional number of babies born prematurely and addicted to cocaine. . . . Those unable to find private care will be thrust upon the overtaxed resources of the county hospital, Highland General, whose emergency room, known locally as "the knife and gun club" because it must care for the victims of street fights that crack use has brought, is already stretched to the breaking point.*
>
> *Katherine Bishop, New York Times,*
> *February 2, 1989*

## LOCAL INSTITUTIONS

Local institutions constitute a wide and diverse set of organizations and entities. They range from local governments, with direct responsibility for law, taxes, and regulations, to community volunteer organizations with few resources to meet the needs of the urban poor. Local institutions should be particularly important in the fight to reduce persistent poverty because they offer the potential to provide continuing, consistent intervention into the life circumstances that surround the poor in the places where they live. There are good reasons to examine the potential for local action.

Unfortunately, at all levels of sub-state government, including cities, counties, and regional governing bodies, resources are inadequate to identify and fashion options for the poor for both historic and legal reasons. Local governments, limited by the state and nearly always without their own legislative and initiative authority, are in untenable positions, unable to deal with the serious ills that affect persistently poor communities. Local governments rely on limited police power to restrain and punish crime, promote health, and protect safety. They have virtually no independent authority to marshall or control the resources within their borders in order to generate or redistribute wealth.

While local governments are the most visible agencies for combatting the problems of persistent poverty, they can muster only the weakest of tools. They have neither mandate nor resource base to deal with poverty problems. They have only very limited ability to attract or stimulate employment and limited discretionary resources. They are required by law to meet certain public safety and regulatory provisions, but allowed only limited taxing authority.

The aggressive role and expanded activity of local governments since the 1960s have created an image of capacity well beyond the reality. Mayors (particularly minority mayors) have come to office with pledges and mandates to deal with poverty and the needs of minorities. This is true not only of city governments, but of school districts and other community-service bureaucracies as well. But the pledges and expectations cannot be met. City and county governments, school districts, and other local institutions have become even more limited in their abilities to meet the needs of the poor, because they have lost middle-class residents and jobs. These jobs will not come back. The municipal tax base that expanded in the 1950s and 1960s started to erode in the 1970s and continued to decline in the 1980s. Thus, even minority officials with the will, the desire and the political mandate to fight poverty are met with shrinking resources. Even if more resources were to be made available, there would be few instruments that a city or any locally-based group could use to alleviate the problems or reduce the isolation of the persistently poor.

Most of the resources that local governments employ to meet the needs of the poor are direct or indirect transfers from the national government. Housing is a prime example. The federal government provides housing assistance in the form of loans and vouchers that local authorities turn into the construction of dwelling units or into rental payments. The same is true of economic development activities, where the federal government extends its borrowing capacity to local institutions via the tax code and loan guarantees. In the "best" circumstances, local governments (even progressive local governments) resist providing services for low-income persons, hesitating to generate tax burdens without an available, alternative revenue stream.

Community and neighborhood-based groups have been especially resourceful in reaching the poor. These groups generally intervene in the cycle of poverty through education, training, teaching of social skills, and the provision of food and shelter, but they, too, receive most of their resources directly or indirectly from federal or other nationally based sources. Many community-based organizations have thus had to become funnels for federal programs and resources from national foundations that reward pursuit of narrowly targeted results. Most community-based organizations that started out working directly on the problems of the poor in the early 1960s have shifted their attention to such things as the provision of skills-training and housing in the 1980s. This change in tactics reflects an altered national mood toward the "poor becoming too demanding" in the face of a shrinking resource base. This leads to a demand for immediate results that are more easily seen, measured, and justified than community-capacity building or mobilization. Moreover, community-based organizations have discovered that there are precious few resources within communities (or even at city halls) to assist them.

Community-based social and economic development is very costly. The *per capita* cost of working with a persistently poor person or family is extremely high. Organizations are frequently put into the position of mirroring all of the services in the external environment to work effectively with the so-called "hard-core" poverty cases. The results are slow to come, because the problems are so profound. As a result, most community-based institutions would rather deal with persons closer to job readiness or only temporarily in need. The shift from CETA (the Comprehensive Employment Training Act) to JTPA (the Job Training Partnership Act) is a case in point, because the new job training act pays on the basis of success in placing the unemployed. As a result, those who need substantial training are frequently left out, too costly for investment by city agencies.[14]

Community-based institutions, local governments, and welfare agencies therefore nearly all end up working within a context in which poverty is a thing to be avoided and the poor are people to be tolerated. Even when leaders understand the structural causes, they are pressed to serve immediate needs. This situation perpetuates a deep social divide. The nation will not close up this division until it views the poor and persistent poverty as products of flawed national arrangements. The problem of persistent poverty will only worsen unless we develop policies and approaches that deal directly with the national social system and with corresponding mechanisms for local implementation, to prevent people from being impoverished, labelled, segregated, and institutionalized.

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[14] Bernick, *The Dream Of Jobs*.

To this point our arguments are pessimistic, whether viewed top down or bottom up. To begin with, global changes have resulted in more intense economic competition, and corporate leaders in America (and many other places as well) have decided to compete not by improving techniques, empowering workers with expanded skills, and tending to public needs, but by degrading work and reducing public responsibility, increasing the pressure on workers and citizens alike. Wages, benefits and employment opportunities have been worsened, and tax funds for public services have been reduced. The federal government, for myriad reasons, has reduced its interest, its capacity and its effectiveness in ameliorating the problems that derive from poverty; the government's failures to actually reduce poverty are even more striking.

At the local level, growing numbers of organizations based in communities and a fair number of municipal governments recognize how serious the problem of poverty is. While they show interest in acting, they are nearly always powerless to provide any direct relief, and they are certainly unable to restructure their economies so as to improve the distribution of income.

Where can one turn for solutions to these problems? Is there evidence for even a glimmer of optimism? Let us speculate: might politics at the municipal level lead to policies to mitigate urban poverty; could this be a substitute for initiatives that are so unlikely to be taken by the White House or Congress? Although most students of American cities and poverty despair of ideas which rely on solutions emanating from neighborhoods and working their way through municipal politics, we take a more optimistic position.[15]

The nature of poverty and the consequent social, political and economic separation that threatens American cities makes municipal action likely and potentially effective, precisely because the realm of local politics is where social and economic isolation is most evident, most troublesome, and most difficult for leaders to avoid.

Simple geographic proximity raises the the possibility of effective voting blocks by poor people or minorities in local elections, and it facilitates their disruptive activity versus landlords, downtown businesses, or not too distant neighborhoods. We do not live in a world of total alienation, where the notion of social responsibility can be discarded in the face of the most obvious need. Instead, we live in a real world, still influenced by social forces outside the market. Thus at the municipal level the abstactions of the real estate market become inflated rents and homeless families, the esoterics of labor markets turn into jobless men, poorly paid women and hungry children, and the mysteries of fiscal austerity translate into closed hospitals, unfunded half-way houses, and sidewalks filled with hopeless people. These bitter realities are not part of the America any one wants, but they are unavoidable aspects of life at the local level.

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[15] Liberal and radicals have persistently sought national solutions. See especially Lowi, "The End of Liberalism," also Peterson, City Limits, Marris and Rein, Dilemmas of Social Reform, and Marris, Meaning and Action.

"Municipal liberation," an expansion of local political and economic power -- in theory at least -- can be seen more positively, as a means of facilitating more widespread and higher levels of participation, as counterparts to the increasing alienation of modern corporate bureaucratic society.[16] The separation and polarization associated with poverty in cities may be countered by rising demands for more effective municipal power.

Thus we observe the emergence of progressive municipal politics in the face of reactionary federal withdrawal. In Chicago, Harold Washington was elected to deal with precisely these problems; in Cleveland, Hartford and Burlington, as well as other cities, progressive coalitions have in recent years elected active, reform-minded governments with expanding agendas that include intervention into the economy aimed at more and better jobs;[17] most recently in New York City, the election of David Dinkins and Ruth Messenger may be interpreted as reaction against more business as usual, a refusal to pay the high costs of accepting without resistance the distant decisions of corporate and public officials.

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[16] Frug, "The City."

[17] Clavel, The Progressive City.

# CONCLUSION

We hold two views of poverty. They appear, superficially, to be contradictory, and perhaps in some sense they are. First, we observe that, at the surface, complex societies are hierarchical; at root they are organized by deep divisions of social classes. These societies have rules that cause rewards to be distributed unevenly, so that there is always relative deprivation. The unevenness is distributed over time (as in business cycles), territorially (in rich nations and poor, in regional booms and busts, in suburbs and slums), and across families and individuals, often grouped by race, ethnicity, and gender (as expressed in the distribution of income). We have little evidence of modern societies in which serious poverty is eliminated altogether, few places where there is not some group thought to be beyond help. This is the first view: poverty in America is structural. Poverty can be eliminated only by equalizing social and economic opportunities; it can be reduced only by transferring the base for opportunity and even reward away from wealth and inherited social class, race, and gender.[18]

Second, we observe that, although fundamental changes in the social structure would be necessary to eliminate poverty there may be long periods without such changes. Conditions may still improve marginally for those at society's lowest levels, whose sets of opportunities may be expanded somewhat. Social struggles may be balanced so that employees and ordinary citizens win contests against employers and the privileged, so that people of color move up in position, so that women gain economic rights. The 1960s and early 1970s in the United States may have afforded a conicidence of benign conditions and progressive policies. The shock and dismay that have accompanied increasing urban poverty since then are perhaps best measured against the earlier success.[19]

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[18] Vietorisz, Goldsmith and Mier, "Urban Poverty Strategies."

The newly increased American urban poverty is the combined consequence of a continued social, racial, and gender inequality, an aggressively austere social policy, and a hostile economic environment, itself a part of worsened global conditions. The social, economic, and political structures that are now producing poverty are neither new nor fundamentally changed. Nevertheless, under today's less-auspicious circumstances, these structures are being arranged and used in less generous ways. Choices are being made that reflect the reduced political power of employees versus their bosses, of minorities, of women, and of the poor. Even the rhetoric of public debate has been manipulated and stacked against social progress.[20]

It will not be easy to find politically acceptable and economically efficient ways to support community institutions interested in reversing the trend, but that is the task ahead. Coalitions are needed within and among communities and cities, so that rule changes and re-allocations may be forced at the national level. In this task, we face a problem of scale, of the highest magnitude. Community institutions, from neighborhood groups to big city halls, those which must deal one way or another with the problems of the poor, must be transformed into bases of real political and economic power, so they can take actions of consequence. This transformation can take place only with national-level support, but that support can be generated only by demands and new options raised by strengthened and more active local organizations and coalitions.[21]

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[19] Katznelson, "Great Society," finds seeds of the reversal as early as the late 1930s.

[20] Doctoro, Nation, October 2, 1989.

The nation needs to democratize the economy. Public agencies must break their undivided attention to the needs of business firms and focus on their responsibility to citizens. Local governments must pay particular attention to the needs of the bottom groups in the economy, especially minorities. Localities must find ways to turn their anxiety into pressure for national transformation of politics and economy.

As a component of such a transformation, community-based organizations, with adequate funding, should be focal points for dealing with the interconnected problems of urban poverty. Community-level institutions must be designed that can alter the opportunities for work and community participation in governing and allocating public benefits. One of the great strengths of these organizations is their ability to reject the warped view that the poor behave so as to create their own problems. This strength can orient community organizations to empowerment, mobilization, and attempts to reduce dependency. Powerlessness, hopelessness, and economic isolation are all part of the institutional framework of persistent poverty. Wherever there is a weak political structure, one out of touch with the population, there are correspondingly poor distributive outcomes. Community organizations, because they are almost always intensely political, oriented to the needs of neighborhoods and citizens' groups, stand a chance of identifying such situations and pushing for change.

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[21] It was precisely this dilemma that disabled even the most farsighted "ghetto economic development" proposals of the 1960s and early 1970s. See Goldsmith, "Ghetto Economic Development."

Only with national and local transformations in politics and economics can the need to fully appreciate and utilize the human capital of the urban poor be properly addressed. Giving people more power over their lives individually and collectively increases community power in this sense. Such transfer of responsibility can breed the politics that might readjust the balance of power between those in positions of wealth and power and those without.

The challenge of urban power is one that reaches far beyond money and social services. It is also deeper than the symptoms of drugs and crime or poor education. It goes to the heart of the organization of the society itself. The design and development of new forms of local governance and the thorough and democratic utilization of old forms will be important components of any attempt to deal effectively with the problems of persistent poverty, because it is the structure of the entire social and political system, and the economy that permeates it, that creates persistent poverty. Cosmetic rearrangements of existing systems will not meet the needs and solve the current problem. Only a wholesale transformation of the institutional framework at the base level can hope to achieve a national goal of providing opportunities for social and economic improvement for every American.

# CHAPTER 2 -- THE STRUCTURAL DILEMMA AND THE SOCIAL DIMENSIONS OF PERSISTENT POVERTY

In recent years persistent poverty has been made much worse by uneven economic decline but barely relieved by any improvement in the general performance of the economy. To understand why, we should analyze the entire distribution of income. We thus display the statistical dimensions of persistent poverty in this chapter, as background for subsequent chapters, in which we explain why the problems are not solved simply by economic growth or government amelioration programs. Before delving into these issues, we need to frame the evidence. A series of basic facts must be gathered to help us construct an intellectual platform from which we can view the middle class, the poor, and, most important, the persistently poor. Only then can we address their problems. We begin this chapter by discussing the distributions of income and wealth and various measures of poverty

As we look at family income differences, we find, to hardly anyone's surprise, that poverty disproportionately afflicts Blacks and Latinos, especially women and children. We also find that in the last decade poor minority families have become more concentrated in overcrowded and racially segregated neighborhoods, especially in the biggest cities. The facts about these situations at the bottom of American society can be displayed best after discussion of income distribution, discrimination against minorities and women, and underemployment. The main differences in family income depend on how the economy generates personal earnings from employment. People with low wages or no wages are at the bottom, only some helped by redistributive public programs.

> *The most glaring question may be the degree to which Blacks, 70 percent of the city's population, have benefitted from the decade's boom and how those left behind by it will fare in a less favorable economic climate. Although the city has gained nationwide recognition for fostering a growing, healthy, Black middle class, a recent study indicated that "those Black households at the low-income levels are stuck there. . . . "*
>
> *Peter Applebome, New York Times, April 3, 1989.*

## THE DISTRIBUTION OF INCOME

Despite some slight improvements, the distribution of income in the United States has been highly skewed from the end of the Second World War until the 1970s. In 1947, for example, the richest 20 percent of households had incomes on average thirteen times as large as the poorest 20 percent![1] By 1978, little had changed, and incomes of the top group averaged twelve times as large as those of the bottom group.[2] A snapshot of the distribution in 1985 appears in Figure 2.1, which highlights the disparities, especially between the top group with 43.7% of the income and the bottom group with only 4.6%. When later in this chapter we consider differences by race, ethnicity, and gender, we will see that specific disparities are larger and that recently conditions have worsened considerably.

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[1] Alternatively, to eliminate entirely the effect of very high and very low incomes on the calculations, one can take the ratio of incomes of the "rich" family at the 80th to the "poor" at the 20th percentile. To reduce dispersion still further, one can group the population by family status. Even after these equalizing adjustments, in 1986, "rich" married couples with children earned 2.98 times as much as "poor" married couples with children; the ratios were 5.35 for single mothers with children and 3.06 for elderly couples without children. See Danziger, T16a.

Two decades ago, when the Kerner Commission warned of the creation of two Americas, one Black, poor, isolated, and disillusioned, one white, rich, isolated, and fearful, other warnings had already been spoken. We have mentioned Harrington's rediscovery of America's hidden poor, Ellison's searing critique of the isolation of racism, and Sennett's analysis of how suburbanization yields social groups so thoroughly separated that they no longer understand each other's problems. In the context of these schisms, there was a long Civil Rights movement, and in Black ghettos there were rebellions. For a decade or more the nation responded, and there were modest improvements; but since the late 1970s, we have declined rather than advanced. The most severe problems result from the conjunctions of poverty, racism, and isolation.

Two major debates in the late 1980s over incomes in America reveal and define the concerns of two distinct classes. The first had to do with a question asked in corporate law offices--is the bench underpaid? The second has to do with hourly pay, minimum wages, and welfare--how

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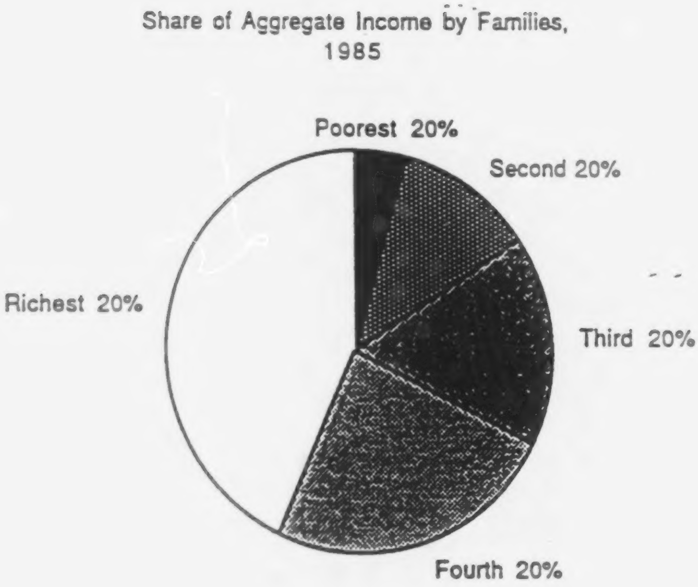
[2] Smith, "Of Yuppies and Housing," p. 154, Table 1. The differences are of course much greater for smaller groups, in which the very rich and very poor are exclusively segregated.

Figure 2.1


Share of Aggregate Income by Families, 1985

Source: U.S. Dept. of Commerce, Consumers Income, Series P-60, no. 162, Money Income of Households, Families and Persons in the US, 1987, Table 12.

low must incomes be to keep American workers competitive? Among America's opinion-makers there was only one answer to be heard to the first question: we must make up the 30 percent federal district judges have lost to inflation in the last 20 years. In early 1989, the chief justice of the nation's highest court took the extraordinary step of holding a press conference to call for higher salaries.[3] Even the Congress, when politically unable to raise its own salaries, made it clear that judges' salaries should be higher. According to columnist Anthony Lewis:

> In the metropolitan areas where most Federal judges sit, it is difficult to provide good housing for a family and to put children through college on $89,500 a year. And by the standards of the legal profession, the figure is extremely modest.[4]

Some worried that the independence of the judiciary was threatened. According to economists and other observers, judges were deeply disadvantaged compared to other attorneys, whose salaries are much higher. We might use the name Rich America to denote the group that earns as much as or more than judges. Unfortunately, this debate over relative compensation among Rich Americans has focused public attention on the wrong issues.

Only a tiny percentage of American households, most of them with two people working, earn as much as federal judges get from their salaries alone. Most Americans earn much less, of course, but they get by. Half the households in the country take home only one-quarter as much money as a judge.[5] By that standard, either the judges are doing well, or many people are doing badly.

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[3] *New York Times*, March 16, 1989.

[4] *New York Times*, March 9, 1989.

The second debate reveals conflict between the "rich man's" concern that wages be kept low enough to ensure international competitiveness, and the "poor man's" concern that wages be high enough to keep individuals and families above the poverty level. How much can we afford to pay workers without losing out to international competitors? Who are the working poor? What happens when displaced factory workers must hire on at hamburger stands for much lower pay? Why when husbands and wives both work to earn wages do so many of their households barely survive? According to the "low-budget" definition of the Bureau of Labor Statistics, more than a third of American families have incomes that are too low to help them maintain "a sense of self-respect and social participation."[6] The range of poverty is quite broad, and it falls very low.

At the very bottom, one of every six American families earned less than $11,000 in 1986, and more than a quarter of those poor families earned less than $5,000.[7] For whites and minorities alike, men's inability to get work is the most common cause, but the poverty falls most visibly on women and children, especially on women bringing up children alone. The problem is most concentrated in the cities, where minority people are tightly segregated and suffer from an Apartheid-like racism, manifested by the continued and persistent concentration of

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[5] Rose, *Profile*. In 1986, 3 percent of households earned $85,000 or more, and median income for families and individuals was $23,450.

[6] Rose, *Profile*.

[7] 1986 figures from Rose, *Profile*, p. 8 and poster. There is no evidence to suggest that things have improved by Spring 1989.

Blacks and Latinos in inner-city census tracts.[8] It is now commonplace, and unfortunately correct, to call these very disadvantaged people and families The Persistently Poor. Some writers, in an analysis that sometimes seems to blame the victims for the difficulties of their situations, point out that there seems to be an American Underclass, much akin to Marx's lumpen proletariat.

> *[New York's] Human Resources Administrator estimated in an interview that one-third of the nearly half-million children on public assistance were living in isolated pockets of such intense poverty that they are cut off from the world of work and independence.*
>
> *Estimate by William J. Grinker, Human Resource Commissioner, New York City. Reported by Josh Barbanel,*
> *New York Times, April 2, 1989, p. 6E*

If it is difficult for federal judges to provide good homes and educations for their families, then it must be literally impossible for people who are persistently very poor to provide any adequate form of shelter. In fact, we know this to be the case. More and more families live on the streets and in shelters, and millions of others live in neighborhoods and buildings that discourage the self-respect and social participation marked by the Bureau of Labor Statistics. Still others make livings from drugs and crime, are in jail, or do not survive.[9] Their children are born underweight and often drug-dependent, have poor medical care, do not get good schooling, and play on unsafe streets. Young mothers cannot provide supervision, young men cannot get jobs, and community social institutions provide little help. In central-city communities, minority families are crowded and isolated more than ever before, and in some districts there is a situation of near hopelessness.

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[8] Landis, Future of America's Central Cities.

[9] Kunjufu, Conspiracy.

> *Two-thirds of low-income children do not graduate from high school, leaving them all but helpless in a high-tech job market. Unless some way is found to help them, the vast majority will become tomorrow's drug addicts, prison inmates and shelter inhabitants.*
>
> *Reported by Josh Barbanel,*
> *New York Times, April 2, 1989, p. 6E*

Without an adequate understanding of the general distribution of income, any attempt to identify those who are deeply or persistently poor would be defective. Only against this background will our subsequent analysis of persistent poverty make sense.

There are many ways to measure the relative well-being of different segments of the population. Even the distribution of income, the most common and perhaps the most practical and dependable measure, comes in a variety of forms, compiled from different sources, aggregated in different ways. The figures we present below lay out the broad contours of the problem; they are evidence that things are bad and have been getting worse.

What is perhaps most striking over all--but hardly ever discussed--is that income shares have been highly unequal throughout the post-war period. At the extremes, people with college educations and the poor have lived in two drastically different worlds, although economic growth for long masked these differences. Since 1973, the income distribution has worsened. The share of aggregate family income earned by the poorest fifth of families fell by 15 percent between 1973 and 1985, and incomes of the next two-fifths also fell. Altogether, 60 percent of families lost shares of income, while 40 percent gained. The distribution of real, disposable, family income (that is, income after taxes taxes are deducted and transfer payments are added) worsened even more dramatically between 1980 and 1984.[10] One consequence of the growing separation is that poor families have become less visible to the American public unless they are homeless. Likewise, the average incomes of families with children have become more unequal: incomes of the poorest families fell by 34 percent between 1967 and 1984, as shown by the long, downward portions of Figure 2.2, while incomes of the rich rose 14 percent. Once again, we see that the greatest increase in inequality occurred most recently.

The personal ownership of wealth is even more highly concentrated than income. "Wealth" is the term used by economists to refer to stocks, bonds, cash, and real property, including factories, shops, offices, and equipment. The tiny numbers of households at the rarefied upper end had an average net worth of nearly seven million dollars in 1983, together owning more than one quarter of the national wealth. This group's wealth increased considerably between 1962 and 1983. In contrast, 90 percent of the population owned less than one-third of the nation's wealth, most of that held in owner-occupied housing--and their share fell between 1962 to 1983. The average holdings and relative shares of wealth are shown in Table 2.1.

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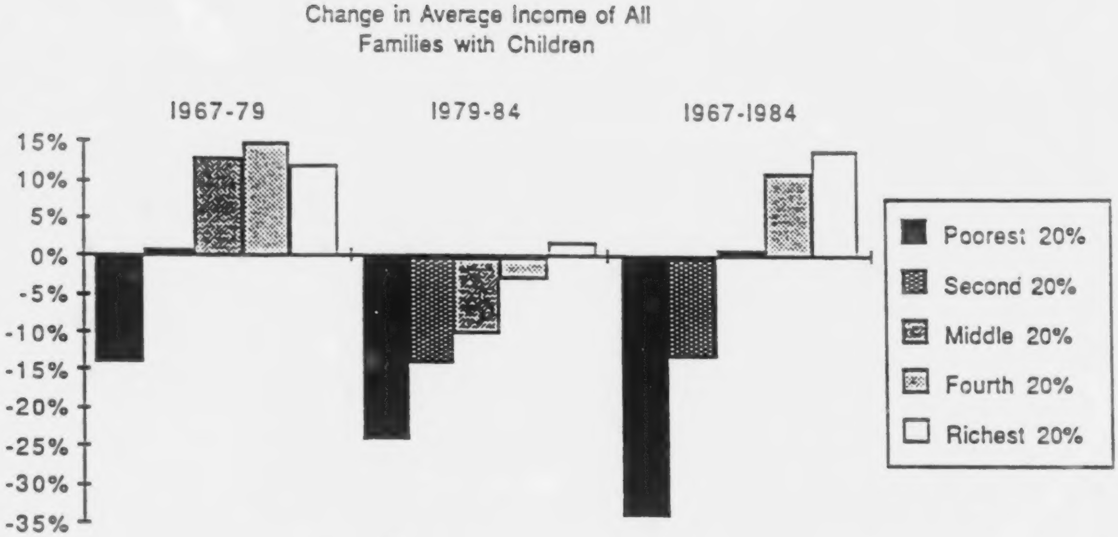
[10] AFL-CIO, The Polarization of America, Table 23, p. 82.

Figure 2.2



Source: Bureau of the Census, Current Population Survey, Table 19, AFL-CIO, p. 65

Table 2.1

## Table 2.1
## Shares of Wealth of Households

| Group | 1962 | Share | 1983 | Share | % Change 1962-83 |
|---|---|---|---|---|---|
| Super Rich (0.5% of h.h.) | $3,588,489 | 25.4% | $6,823,675 | 28.4% | 12% |
| Very Rich (0.5%) | 1,037,543 | 6.9% | 1,789,270 | 7.4% | 7% |
| Rich (9%) | 253,187 | 32.3% | 396,931 | 33.0% | 2% |
| Everyone Else (90%) | 27,390 | 34.9% | 41,604 | 31.2% | -11% |

Source: The Concentration of Wealth in the United States, Joint Economic Committee, U.S. Congress, July 1986, Tables 4 and 5, in AFL-CIO, Table 12, p. 49.

Note: Wealth = net worth (in 1983 dollars) = gross assets minus debts.

When homes are excluded, since they do not generate income, the remaining categories in the economists' measure of wealth are called productive assets. In 1983, the wealthiest 10 percent of the population held 86 percent of these assets. Even within this small group that owns most of the nation's productive assets, ownership is highly concentrated among the very rich; the disproportionate holdings of the wealthiest two percent are depicted in Figure 2.3. This productive wealth, of course, results in income that is a privelege of ownwership, in the form of dividends, interest, and rent, The return on assets is called "unearned income," in distinction to wages and salaries.

Aggregate measures of income inequality are used to help interpret the data by telling how far the distributions deviate from uniformity, or perfect equality. In the post-war period, family-income inequality--measured here by the standard statistic, the Gini coefficient[11]--improved until 1955, after which inequality sharply increased, peaking in 1960. Between 1960 and 1966, the distribution improved again, but since 1967 inequality has worsened fairly steadily, most harmfully after 1980. These ridges and valleys show up readily in Figure 2.4. Inequality in annual wages and salaries (the main component of income for most families) also improved and then worsened. The best time (of least inequality since 1963) was in 1975, with inequality trending upward since then.[12]

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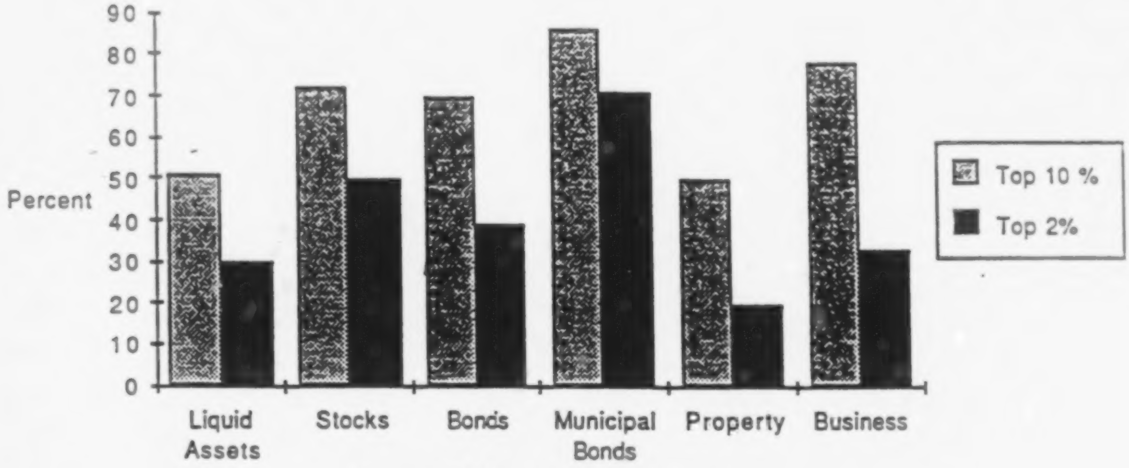
[11] The coefficient, which varies from zero to one, measures the percent deviation from a uniform distribution.

[12] Harrison and Bluestone, U-Turn, p. 119. This date is calculated after removal of business cycle effects.

Figure 2.3

Selected Holdings of the Very Rich, 1983



Source: Table 11, AFL-CIO, p. 46.

Figure 2.4

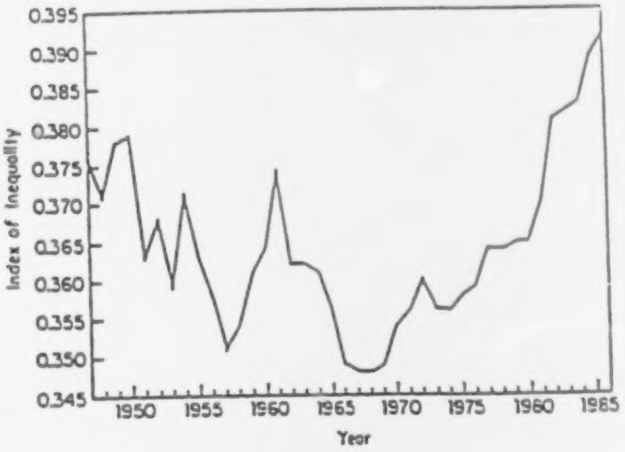


FIGURE 1.3

*Family Income Inequality, 1947–86*

*(GINI index)*

Source: U.S. Department of Commerce, Bureau of the Census, "Money Income of Households, Families, and Persons in the United States: 1984 (Washington, D.C.: Government Printing Office, 1986) and unpublished tabulations provided by the U.S. Census Bureau.

Secondary source: Harrison and Bluestone, U-Turn, p.7

Note: The GINI Coefficient varies between -1.0 (for perfect equality), and 0.0 (for perfect concentration).

## Income Distribution by Race: African-Americans, Whites, and Latinos

Income distribution figures for the population as a whole obscure the gaps that separate racial and ethnic groups. Although the ratio of Black to white incomes rose slightly for families with two earners from 1970 to 1975, it has not improved since then. For families without two earners, the ratio of Black to white incomes, always low, has fallen slightly. At lower income levels, the gap is widest, with the poorest 20 percent of Blacks earning less than half the income of their poor white counterparts. In 1983 the median Black family earned $14,506, versus $25,757 for whites.[13]

Measures of family wealth holdings (stocks, bonds, cash, and real property) reveal an unbridgeable chasm between Black and white households, especially at the lowest levels of the income distribution, where Black wealth, on average, is infinitesimal, a mere $88 per household. Even for married couples, on the average whites are four times as wealthy as Blacks. Even this is an underestimation of the differences, since the median values that are used in place of averages fail to account for the enormously high incomes at the top of the (white) distribution. The wealth gap ratio is widest between female-headed white and Black households, but the absolute gap is huge even for married couples, as shown in Figure 2.5.

Income inequality among Blacks and among Hispanics is also greater than it is among whites. It has worsened (since 1975) for all three

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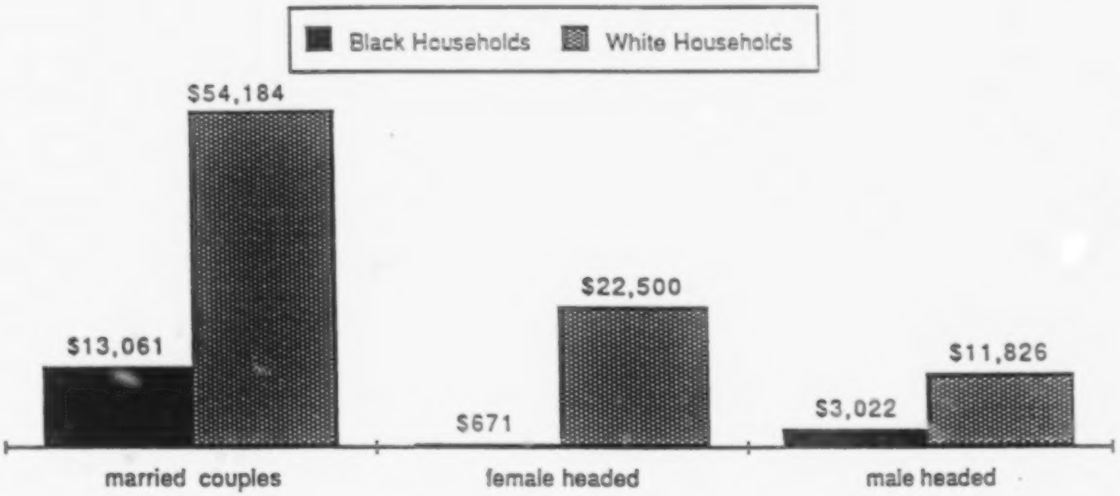
[13] Fainstein, "Underclass/Mismatch Hypothesis," Table 12, p. 427.

Figure 2.5



Median Net Household Wealth by Household Types
1984

Source: Table 13, Fainstein, p. 428.

groups, but it has worsened most dramatically among Blacks. Using 1983 dollars as a measure of constant buying power, for example, the percentage of Black families earning less than $5,000 rose to one in every six, an increase of 54 percent over 1975, when it was one in every nine families.

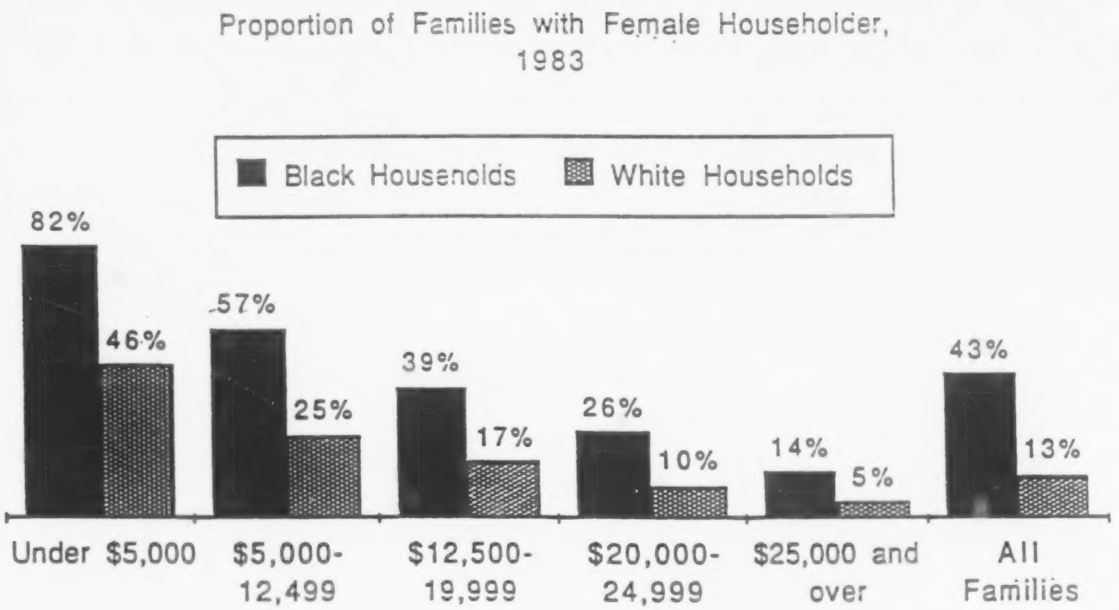
Finally, in households headed by women, the disparities between Black and white family income also hold up, as Figure 2.6 shows. In America, deprivation is allocated by race and gender together.

## POVERTY

Since 1973, as the statistics on income distribution suggest, the total number of poor people has risen, even as the economy has grown. This rise in poverty has been concentrated among households headed by women or minorities, and especially the children in these homes.

The official "poverty line" is defined by the Social Security Administration (SSA) as the amount of money needed to purchase the goods and services their statisticians deem necessary for survival, calculated to be three times the minimum cost of food for a family. With the other two-thirds, families must pay for rent, utilities, clothing, medicine, and all other costs. The food budget is calculated by a group of dieticians who put together menus that meet all the essential nutritional requirements and that are the best buys for the money. Although this figure is adjusted annually to reflect price changes, it is nevertheless inadequate because food prices are higher in poor neighborhoods, nutritional information and practices are not optimal,

Figure 2.6



Source: Table 2, Fainstein, p. 409.

and poor families spend more than one-third of their income on food.[14] In 1988, the SSA line was set at an annual income of $5,800 for one person, $11,600 for four people, and $23,000 for a family of nine.[15] As we have noted, the Bureau of Labor Statistics (BLS) used to define a more inclusive "low-budget," below which incomes were too low to provide families "a sense of self-respect and social participation."[16] When the SSA poverty line was invented, it was set 40 percent below the original BLS low budget.[17] The official poverty line now in use is thus a stringent standard that underestimates what most people in the U.S. would judge to be the income needed for a family to escape poverty.

The number of impoverished people, even as underestimated by this stringent SSA line, has increased substantially in the last fifteen years. In 1983, the most recent peak, the number was 35 million, or 15.2 percent of the population. Since 1983, there has been a slight decrease. In 1987, 32 million people fell below the SSA line, down to 13.5 percent of the population. Over the last decade, however, there has been a considerable worsening. Figure 2.7, depicts a "great U-turn" in poverty.

For families (that is, excluding individuals living alone), the situation has changed in similar ways: poverty peaked in 1983, when, using the official SSA definition, 12.3 percent of all families were below the poverty level, a higher percentage than at any time since the

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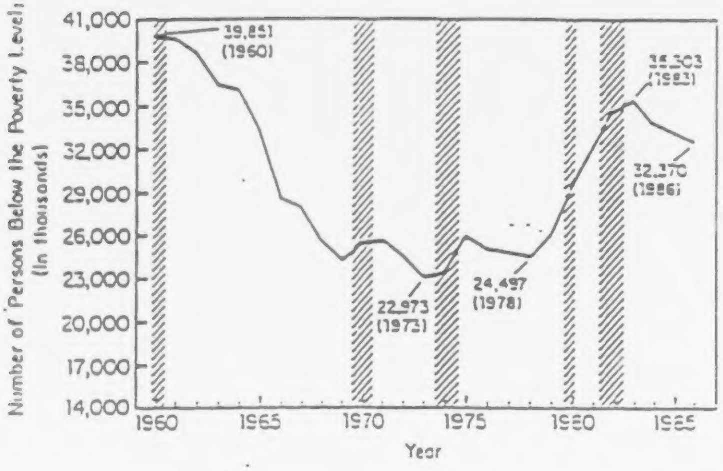
[14] Rose, Profile, p. 7.

[15] New York Times, Sept. 1, 1988.

[16] Rose, Profile.

[17] The BLS stopped providing figures in 1981, so comparisons are only estimates, updated by inflation. See Rose, Profile, pp. 7-8.

Figure 2.7



*Number of Persons Below the Poverty Level: 1960–1986*

*Note.* Shaded areas are periods of recession.

Source: U.S. Department of Commerce, Bureau of the Census, "Money Income and Poverty Status of Families and Persons in the United States: 1986," *Current Population Reports*, Consumer Income (Washington, D.C.: Government Printing Office, July 1987), Series P-60, no. 157.

Secondary source: Harrison and Bluestone, U-Turn, p. 135.

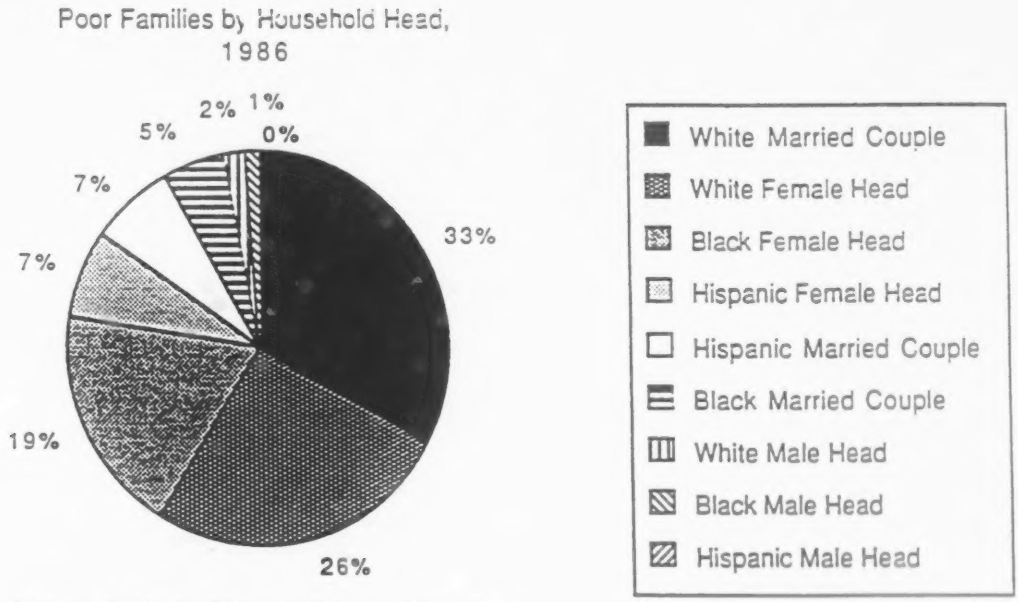
early 1960s. Three groups comprise nearly four-fifths of all families in poverty, as Figure 2.8 indicates. Not surprisingly, the majority of American families, and one-third of all families in poverty, are headed by white married couples. Next in line are families headed by white women, who comprise 26 percent of the poor families, and then those headed by Black women, who comprise 19 percent. Urban statistics are more unbalanced by race and ethnicity.

The true pattern of American poverty, however, is revealed more clearly by flipping these coins to their other sides. More than one in three families headed by women were poor in 1986, while the rate dropped to one in ten for families headed by single males, and less than one in sixteen for married-couple families.

All of these groups followed the historical pattern of change for families as a whole, the numbers in poverty increasing through the late 1970s and early 1980s, peaking in 1983, at rates higher than any since the early 1960s. Families with children under 18 are most likely to be poor. In 1986, one out of every six such families (16.3 percent) was officially in poverty. Female-headed households with children fare the worst; 46 percent are in poverty. In 1986 one in five American children lived in poverty. Such extensive poverty, with all its potential dangers, has not been seen since the early 1960s.

Poverty has also become more visible, as beggars and homeless people have become a common feature of the urban landscape. A recent report by the National Academy of Sciences estimates that 1.3 to two million people will be homeless for one or more nights in the course of the year. The same report cites a 1988 estimate of 735,000 Americans

Figure 2.8



Poor Families by Household Head, 1986

Source: Table 3, "Poverty Status of Families," CPS, Census Bureau homeless on any given night.[18] Children form the fastest-growing group among the homeless: the National Academy of Sciences estimates that 100,000 children under 18, excluding runaways, are homeless on any given night.

> *Suppose [for example] we have two workers differing only by race . . . all other factors are the same . . . both are 42 years of age, work 40 hours per week, have 13 years of education, 5 years' tenure with present employer, 4 years' job experience in present occupation and currently reside in the North Central . . . the probability of a white holding a [good] job is 81.2 percent while that of a black is 60.7 percent.*
>
> *Boston, Race, p. 86*

## Race and Ethnicity

When broken down by race and ethnicity, these already ominous figures on poverty become much more troubling. For a long time, very high proportions of African-Americans and Latinos have been below the poverty line; this is becoming increasingly the case. The proportion of whites in poverty is decreasing, while poverty among Latinos and especially Blacks is growing.[19] According to the Census Bureau, between 1986 and 1987 white poverty fell 4.5 percent, while Black and Hispanic poverty rose by 6.5 percent and three percent, respectively. In the

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[18] Freeman and Hall, "Permanent Homelessness"; Dear and Wolch, Landscapes of Despair.

[19] Raw numbers: 9.68 million white poor, 8.98 million Black poor, 5.47 million Hispanic poor. See graphic in New York Times article, Sept. 1, 1988.

Reagan-Bush anti-civil-rights era, these findings are particularly significant, since they suggest that there are high costs and penalties imposed by public austerity on citizens least able to resist. Minority households overall have rates of poverty about three times as high as whites, and the situation recently became even more unequal. One third of Black families were poor in 1987. Black families headed by a single person were most likely to be poor. Fully half of Black families headed by women were officially poor. Even higher proportions of Black families with children under 18 were poor. Again, single-parent families fared worst, especially those headed by women.[20]

Generally, poverty rates for Hispanics fall between those for whites and Blacks.[21] More than a quarter of Hispanic families are poor. Rates of poverty are highest for households headed by women. Hispanic families with children under 18, like Black families, are more likely to be poor than those without children (of whom 30.8 percent were poor in 1986). Three-fifths of Hispanic families with children in homes headed by women are poor.[22]

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[20] Census Population Survey (CPS) -- Table 3: Poverty Status of Families, by Age, Race, and Hispanic Origin: 1959-1986.

[21] Our statistics don't allow for more detailed comparisons, but we suspect that race is a factor here, as well. Among Hispanics, as among the population as a whole, discrimination against people with darker skins takes its toll. In addition, national origin is important: Puerto Ricans in the United States are typically poorer than Cubans, and Mexicans, Chicanos, and recent Central American immigrants tend to be poor, as well. The figures are for 1986.

[22] CPS -- Table 3: Poverty Status of Families, by Age, Race, and Hispanic Origin: 1959-1986.

## The Elderly

The incomes of the elderly have improved as a direct result of Social Security retirement benefits. This demonstrates that specific and well-targeted national policies can make a difference, and that popular political forces can overcome market forces if the policies are focused but the politics broadly supported. According to the Census Bureau, the rate of poverty fell from 35.2 percent of all elderly people in 1959 to only 12.4 percent in 1986.[23] There remain great disparities, nonetheless.[24] Elderly Blacks remain three times as likely to be poor as do elderly whites, and rates for Hispanics still fluctuate greatly with the business cycle, because many do not receive Social Security and are thus dependent on employment, often at low wages and part-time.[25]

## The Working Poor and the Feminization of Poverty.

The number of people with incomes below the poverty line grew by 6.3 million between 1979 and 1986.[26] Even when non-cash transfers, such as housing and medical benefits are included, the increase in officially poor persons numbered 5.7 million. Remarkably, this increase in poverty happened in a period when unemployment rates did not rise. Instead, it resulted from an increasing proportion of poorly paid job-holders. The number of working poor, mostly part-time employees, rose from over a third of the poor population in 1967, to nearly half in 1984.[27]

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[23] New York Times, Dec. 28, 1988, citing Census Bureau. However, the numbers do not match CPS data.

[24] The experience of elderly Hispanics is different: data are available only since 1973, and it appears that elderly poverty rates are tied to business cycles, reflecting recent immigrants' poor access to the Social Security system.

[25] CPS -- Table 2: Poverty Status of Persons, by Age, Race, and Hispanic Origin: 1959-1986

[26] Mishel and Simon, "Working America," cited in Business Week, Sept 19, 1988.

The working poor, even more than the poor in general, tend to be white (three-quarters of the working poor were white in 1985), and are evenly divided between men and women. Three-quarters of them fall in the prime working years, between 22 and 59. The full-time working poor tend even more to be white, male, and prime working-age. Eighty percent are white, 67 percent are men, and 86 percent are between 22 and 59 years of age. Part-time workers, on the other hand, are slightly more likely to be non-white (26 percent), much more likely to be female (54 percent), and slightly younger (25 percent are 21 or younger, and 70 percent are in prime working years). These proportions appear in the bar chart, Figure 2.9.

The increase in working poverty may be attributed to an increase in low-wage jobs, the falling purchasing power of these low wages, the intermittent nature of much work, and part-time work. According to calculations made by the Census Bureau, a higher proportion of workers took part-time jobs in the 1980s than earlier, whether by choice or not. At the same time, low-wage employment grew as a component of full-time, year-round work as well, increasing from about 15 percent in the 1970s, to more than 17 percent in 1986. After a steep improvement from the early 1960s, the working poor have grown steadily as a proportion of the

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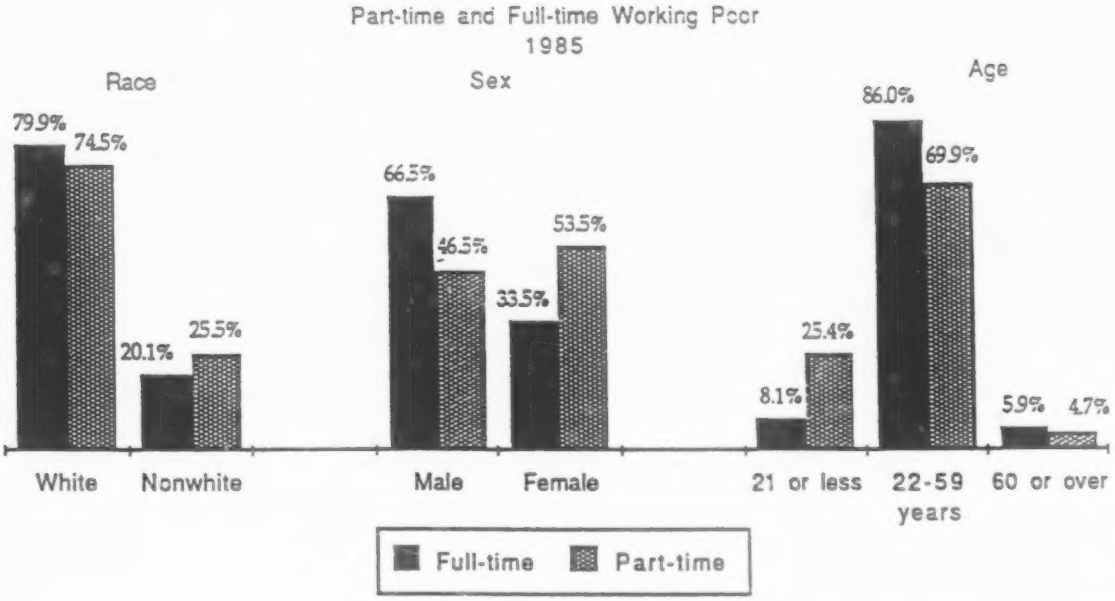
[27] 37.1 percent and 47 percent. This increase was partly due to the decline in poverty among the elderly. See Danziger and Gottshalk, "Work Poverty."

Figure 2.9



Source: Table 1, Levitan and Shapiro, p. 18.

work force ever since 1973.[28] Figure 2.10 shows that low-wage jobs have grown much faster than middle- and high-wage jobs, especially in the 1980s.

The purchasing value of low wages, as measured by the real value of the minimum wage, has fallen considerably in recent years, declining steadily since 1978. Families of three or four with a bread-winner earning the minimum wage were no longer able to stand above the poverty line after 1981. By 1989 the minimum wage had fallen so far that it was comparable to its 1956 level.[29] Recently legislated increases make up only some of the loss.

A large part of the story of the increase in the working poor has to do with the increase in the number of female-headed households. Women have historically earned less than men, and this difference has pushed families that are headed by women into poverty. In 1987, the median income of working women was under $17,000, less than two-thirds that of men.

An increasing number of households are headed by women who work. Labor force participation rates for white women rose from 43 percent to 54 percent between 1972 and 1985. Rates for Black women were 51 percent and 59 percent.[30] The participation rates for men of all races and ages have fallen since 1972. Women work now much more often than they used to through their child-rearing years.

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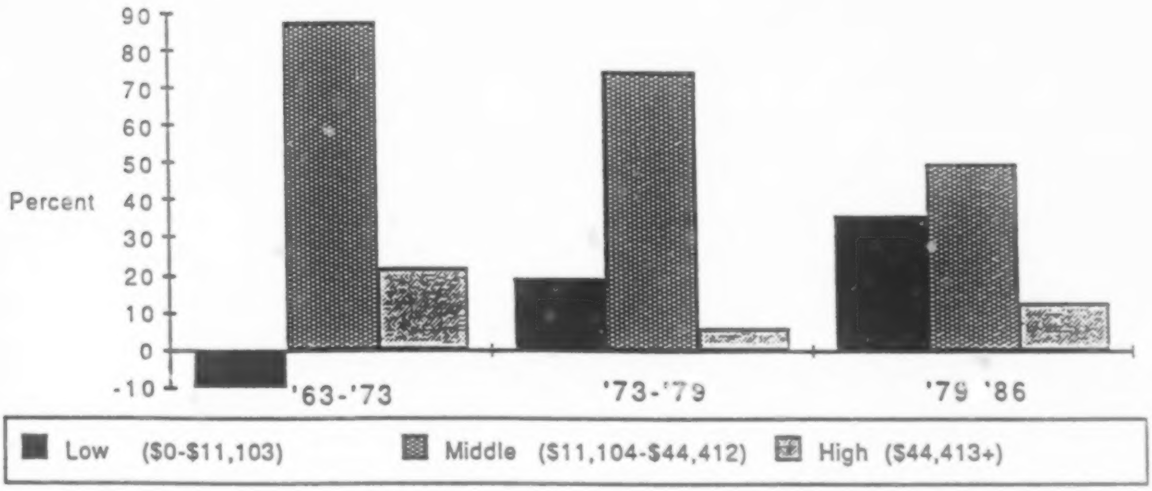
[28] Levitan and Shapiro, Working but Poor, p.17, figure 2.

[29] New York Times, March 1989.

[30] Economic Report of the President, February 1985, Table B34; US BLS, Employment and Earnings, June 1985, p. 31.

Figure 2.10



Net Change in Employment by Wage Stratum, 1963-86
(Constant 1986 Dollars)

Source: Table A.2, Bluestone and Harrison, p. 199.

In 1980, one quarter of all families, and more than 8 percent of all families with children, were headed by women. Well over half the Black women over 20 years old were in the labor force in 1985. Among those families headed by working-age women, very substantial portions were poor, especially households of minority women. Households headed by women who don't work are of course even more likely to be poor.

To quickly restate and summarize: the following two tree diagrams of census data for 1986, the first organized initially by gender, the second by race and ethnicity, together show that the burden of poverty falls disproportionately on women with children, especially on Black women with children. For example, in the first diagram (Figure 2.11) one finds that more than ten million households are headed by women, seven million with children. Of these families, nearly half are poor, about half of them white, the other half minority. Alternatively, one can see there are about seven million African-American households in the United States, shown at the top left of the second diagram (Figure 2.12). Of those, nearly two million (28 percent) are poor. Proceeding down the tree, 86 percent of those poor, Black families have children, and 82 percent of those families with children are headed by women.

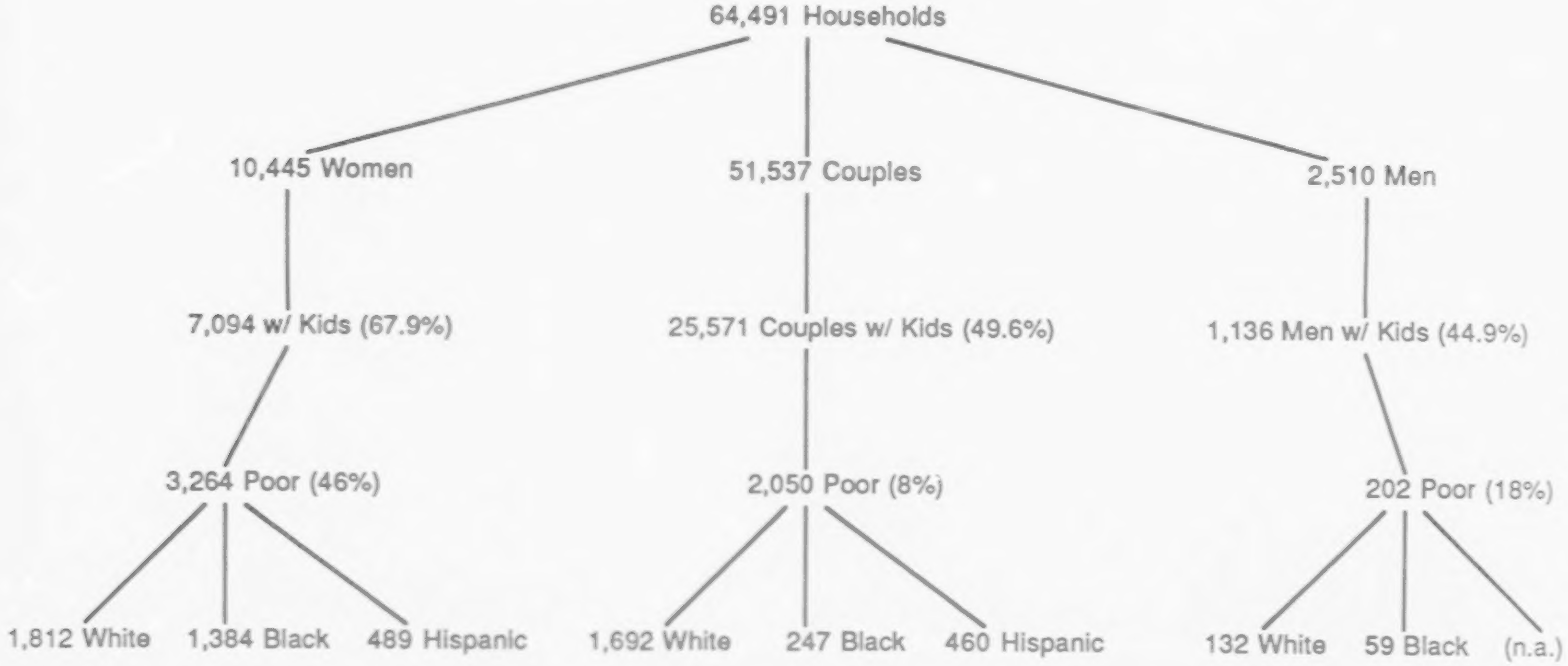
## UNDEREMPLOYMENT AND EARNINGS DIFFERENTIALS

Underemployment is one of the principle causes of poverty. If we add together workers who have part-time jobs involuntarily, those who are unemployed, and those who are too discouraged to look for jobs, we get a useful bottom-line measure (still an underestimate) of those

## Figure 2.11

## Officially Poor Households in the United States

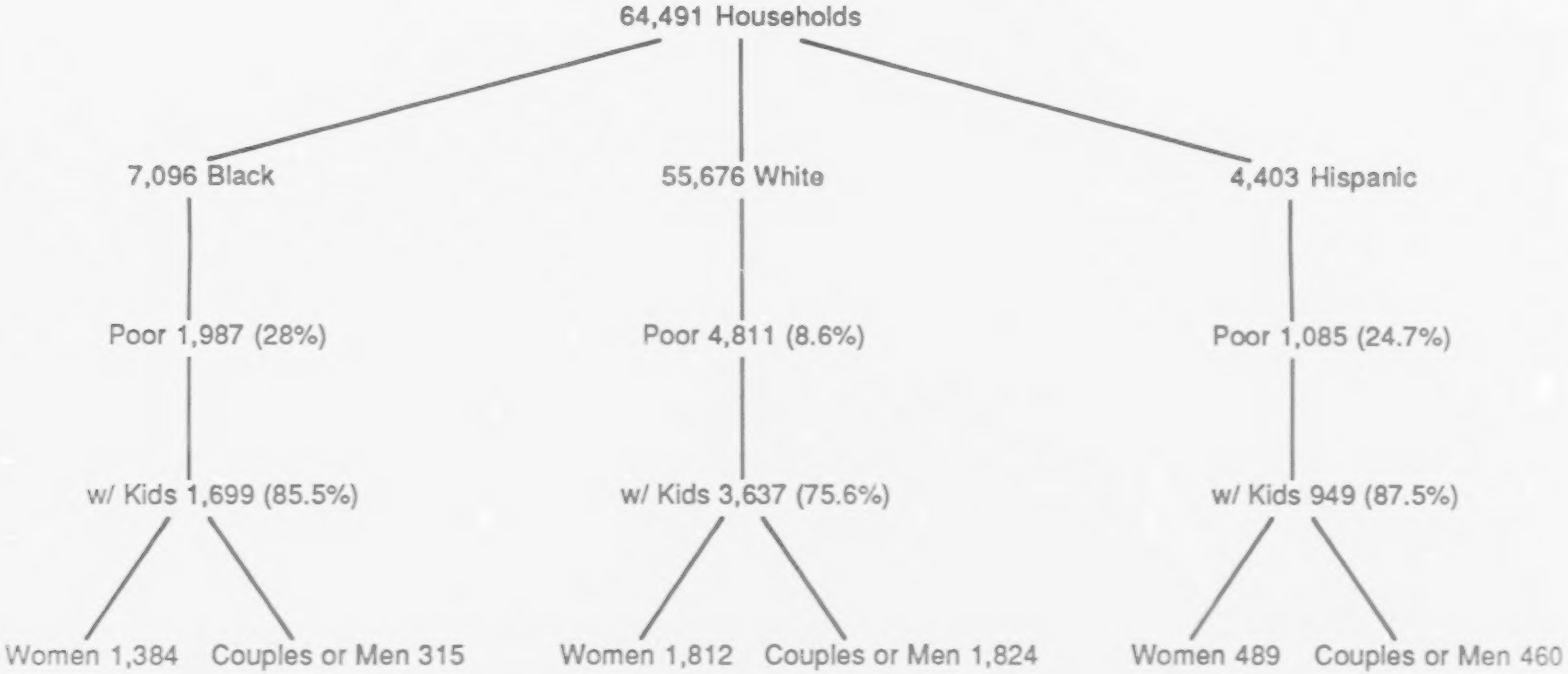
## 1986 by Gender



Source: Generating Generations of Poverty, data from U.S. Census Bureau, Current Population Survey, Table 3.

## Figure 2.12

## 1986 by Race & Ethnicity



Source: Generating Generations of Poverty, data from U.S. Census Bureau, Current Population Survey, Table 3.

unable to earn adequate incomes.[31] An even broader measure is the labor-force non-participation rate, which (while including some few potential workers who don't want or need to work) also counts those who are prevented from working by physical or personal reasons.

Analysis of the nonparticipation rates of central-city residents by race, region, and age shows that for every region and age group, Black men fare worse than white men. Labor-force non-participation for both Black and white men rose substantially between 1969 and 1982, but Black rates were considerably higher in all regions, especially in the Northeast and North Central states.[32]

Underemployment as a proportion of the overall labor force has been rising nationally for 20 years.[33] The highest concentrations are among youth, women, and minorities. In 1970, 7.7 percent of white workers were thus marginalized, nearly doubling by 1982, to 15.3 percent. Only adult, white males had underemployment rates below 15 percent. Even at these relatively low rates, underemployment is a major cause of severe poverty. The rate for Black workers was already at a much higher level in 1970 (14.6 percent), and by 1982 it had risen to 27 percent, a true Depression-level indicator. Underemployment rates for Black and Hispanic women are particularly high, ranging between 35 and 42 percent. Overall rates are over 20 percent for all minority and female groups.

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[31] Even the discouraged-worker category does not include many who would like to work, but don't try, such as women who have not seriously considered work because they have children but no possibility of child care.

[32] Glickman, Cities and NIDL, p. 300, Table 14.5.

[33] The civilian labor force plus discouraged workers. Sheets, Service Industries, p. 60, Table 4.3, Unemployment by race, age, and gender.

Measures of formal *un*employment, the sub-category of non-participants most often reported and discussed, vary in similar ways. In 1982, central-city Black men had a 23.4 percent unemployment rate, while the comparable rate for central-city whites was 9.5 percent. Moreover, central-city Black men, aged 16 to 64, have unemployment rates more than twice as high as those of white men with comparable levels of education. Black men who had completed at least 1 year of college had unemployment rates more than 3.5 times higher than their white counterparts.[34]

Most workers displaced from their jobs (who constitute many of the unemployed), are male and white, reflecting their predominance in the industrial manufacturing labor force. Nevertheless, displacement also affects women and minorities. A study by the Office of Technology Assessment on displaced workers notes that "even though women are actually under-represented in the population of displaced workers, and Black people are represented in proportion to their share of the work force, these groups fare significantly worse than white men in regaining employment after being displaced."[35]

Intermittent work, the most frequent reason for low annual earnings, was most concentrated among minority women and young Black men, reflecting the higher unemployment rates of younger workers and their greater difficulty in obtaining full-time work at any wage. In contrast, older women and minorities were more likely to have full-time, full-year, but low wage employment.

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[34] Glickman, "Transforming Cities."
[35] OTA, *Technology and Structural Employment*.

Young, single mothers are particularly vulnerable. Among single mothers, 53 percent are unable to earn above poverty-level incomes, generally because of either intermittent or low-wage employment. Married females were the least likely to be underemployed, but still had an underemployment rate of over 20 percent.[36]

Race-related earnings differentials result from discrimination at three levels of the labor market. First, minority workers get worse pay for the same jobs. Even after accounting for differences in age, education, region, job experience, family size, and other factors, and in spite of much improvement as a result of Civil Rights and equal pay legislation, it is still true that wages in many occupations for Blacks are slightly lower than for whites.[37]

Of more consequence, discrimination reduces incomes by limiting access of minority workers to preferred lines of industry. Even more important, occupational-category differences matter more than the nature of the industry. In all sectors, white adult wages average at least 20 percent higher than Black wages. In advanced corporate services, one of the more dynamic employment sectors, wages for white adult men average $10.33 per hour, while comparable Black wages are only $6.85 per hour. Differences between wages paid whites and Hispanics show similar patterns.[38] "[B]lacks are disproportionately concentrated among [bad] occupations," even after controlling "for job-related attributes, age and other demographic differences."[39] In manufacturing, Blacks and women are extremely likely to have unskilled and poorly-paid work, and in services both Blacks and women are more likely to obtain higher-level jobs. In high-technology industries, Black men are likely to find their opportunities greatly enhanced, but women will continue to be funnelled into traditional operative and clerical work.[40]

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[36] Sheets, Service Industries.

[37] Boston, Race, (p. 82 ff.) analyzes data from a detailed supplement on occupational mobility, training, experience, and job tenure in the January 1983 Current Population Survey of the U.S. Bureau of the Census.

[38] Sheets, Service Industries, Table 6-2, p. 83.

Occupational segregation by race and gender have a powerful effect in lowering incomes. For example, white men, compared to Black men, had more than double the chance of a high-paying occupation (above $400 per week in 1984). For low-paying occupations (below $300 per week) the chances were reversed, much worse (73 percent higher) for Black men. These differences are shown clearly by Table 2.2.

Supplementary national statistics show that most women's work continues to be traditional, in administrative and clerical-support occupations (women hold 78 percent of those jobs) and general-service positions (women hold 61 percent of those jobs). Blacks are most heavily concentrated in four occupational categories: services; handlers, equipment cleaners, helpers, and laborers; transportation; and machine operators, fabricators, and laborers. Hispanics are most heavily concentrated in similar occupations. These occupations tend to be the lowest-paying.[41]

These and other data suggest that industrial and occupational changes, related to restructuring, international competition and

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[39] Boston, *Race*, p. 133.
[40] Falk, *High Tech*, pp. 107-130.
[41] Sheets, *Service Industries*, Table 3-6, p. 42. Falk, *High Tech*, Table 5-1, p. 107-130.

Table 2.2: Major Occupation by Race and Sex, March 1984

| Occupations | Black Male | Black Female | White Male | White Female |
|---|---|---|---|---|
| Executive, administrative and managerial ($477)[a] | 6.6 | 4.9 | 13.8 | 9.1 |
| Professional ($450) | 5.8 | 11.2 | 12.4 | 15.3 |
| Technical and related ($388) | 2.0 | 3.4 | 2.8 | 3.4 |
| Skilled production and trades ($387) | 14.2 | 2.2 | 20.5 | 2.2 |
| Protective services ($309) | 5.2 | 7.4 | 12.0 | 13.1 |
| Operators, transportation and laborers ($285) | 33.7 | 14.2 | 19.7 | 9.2 |
| Clerical, administrative support ($273) | 8.4 | 25.4 | 5.4 | 29.6 |
| Service, excluding protective service and private household ($203) | 15.3 | 24.2 | 6.3 | 15.2 |
| Agriculture ($200) | 4.3 | 0.5 | 4.6 | 1.1 |
| Private household ($131) | 0.4 | 5.9 | 0 | 1.5 |
| Percentage in occupations with median weekly earnings: | | | | |
| Above $400 | 12.4 | 16.1 | 26.2 | 24.4 |
| Below $300 | 62.1 | 70.2 | 36.0 | 56.6 |

[a] The figures in parentheses are the median weekly earnings for the adjacent occupation.

*Source:* Children's Defense Fund, 1985, p. 63.

Secondary source: Boston, Race and Class Conservatism, 1988.

corporate restructuring have combined to reinforce already-segmented labor markets, leading to increased unemployment, underemployment, and non-participation, these in turn leading to lower earnings. Past and current discrimination against minorities and women in labor markets concentrate the hardship. White men face considerably better structures of opportunity than any other group. Surely, corporate restructuring entails a disruption of the lives and incomes of many white males, but in an attempt to enhance flexibility, companies are increasingly parcelling out their abuse to others, those most vulnerable in the society. People of color, especially women and youth, remain the most vulnerable groups in the labor market. It is hardly surprising that any improvement in wages of Blacks and Hispanics that occurred from 1973 to 1979 has virtually dissipated in the 1980s.

## THE GEOGRAPHIC CONCENTRATION OF POVERTY

Poverty is unevenly distributed across the United States. Poverty in the 1980s is much more a phenomenon of the cities, and especially some cities, than ever before. In 1959, most poor people (56 percent) were in rural areas and small towns; only a quarter of them were in the central cities, and 17 percent were in suburbs. By 1985, the distribution had reversed itself, with the bulk of the poor now found in the central cities (43 percent) and suburbs (28 percent). In certain cities, poverty is especially widespread. It is estimated that between 1974 and 1983, over one-third of the urban population was poor for some period of time.

Urban poverty is centered in the nation's largest cities, especially those with the largest minority populations. Between 1970 and 1980, the poor population of the 50 largest cities grew nearly 12 percent, while the overall population of those cities fell by more than 5 percent. Twenty percent or more of the populations were categorized as poor in 1980 in New York, Chicago, Philadelphia, Detroit, Baltimore, San Antonio, Memphis, Cleveland, Boston, New Orleans, St. Louis, El Paso, and Atlanta.[42] Poverty rates in central cities and metropolitan areas as well increased from the early 1970s until the early or mid 1980s.[43]

Poverty has been concentrated also in increasing proportions in particular neighborhoods. In the 50 largest cities, the number of poor people in what are called "poverty areas" (those neighborhoods with at least one of five households being officially poor) grew 30.5 percent between 1970 and 1980. Those in "high-poverty areas" (with at east two of five households classified as poor) grew more than twice as fast, by 65.6 percent.

Metropolitan areas with the highest rates of poverty tend to have larger proportions of their poor people crowded in "high-poverty" census tracts. Cities with the greatest concentration of poor people in such isolated districts include New York, Chicago, and Philadelphia: each has more than 100,000 poor people in high-poverty tracts. These three cities, and Newark and Detroit, had the largest increases in concentrated poverty; but the phenomenon was widespread throughout the country's big cities. Figure 2.13 reveals the intense concentration in New York City.

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[42] Adams, Duncan, and Rodgers, Persistent Poverty, Table 3.
[43] McGeary and Lynn, Urban Change, p. 8.

Poor people living in poor, central-city neighborhoods are increasingly disconnected from local labor markets. Most adults living in high-poverty areas do not have jobs. More than 71.5 percent were recently out of the labor force altogether. Another 8.4 percent were officially unemployed (an unemployment rate of 29.6 percent), leaving only 20 percent actually holding jobs. Only 38.1 percent of families in these areas had earnings; 61.1 percent received public assistance.[44]

Blacks and Hispanics are most highly concentrated in these poverty areas. Using data from the 100 largest cities we see, in Figure 2.14, that whites comprise only 17 percent of the poor in "poor" neighborhoods and only 10 percent in "extremely poor" neighborhoods. In contrast, Blacks constitute well over half of the poor and over two-thirds of the populations of extremely poor areas, and Hispanics constitute about a fifth of each.

This concentration by race is increasing, along with associated cultural, social, and political isolation. The number of Black poor people in high-poverty areas grew 58.6 percent between 1970 and 1980, while white poor people in those areas increased by only 1.6 percent during the same period.[45] The number of households headed by women and the percent of all children who live in women's households also are higher in neighborhoods where the poverty concentration is high. Among

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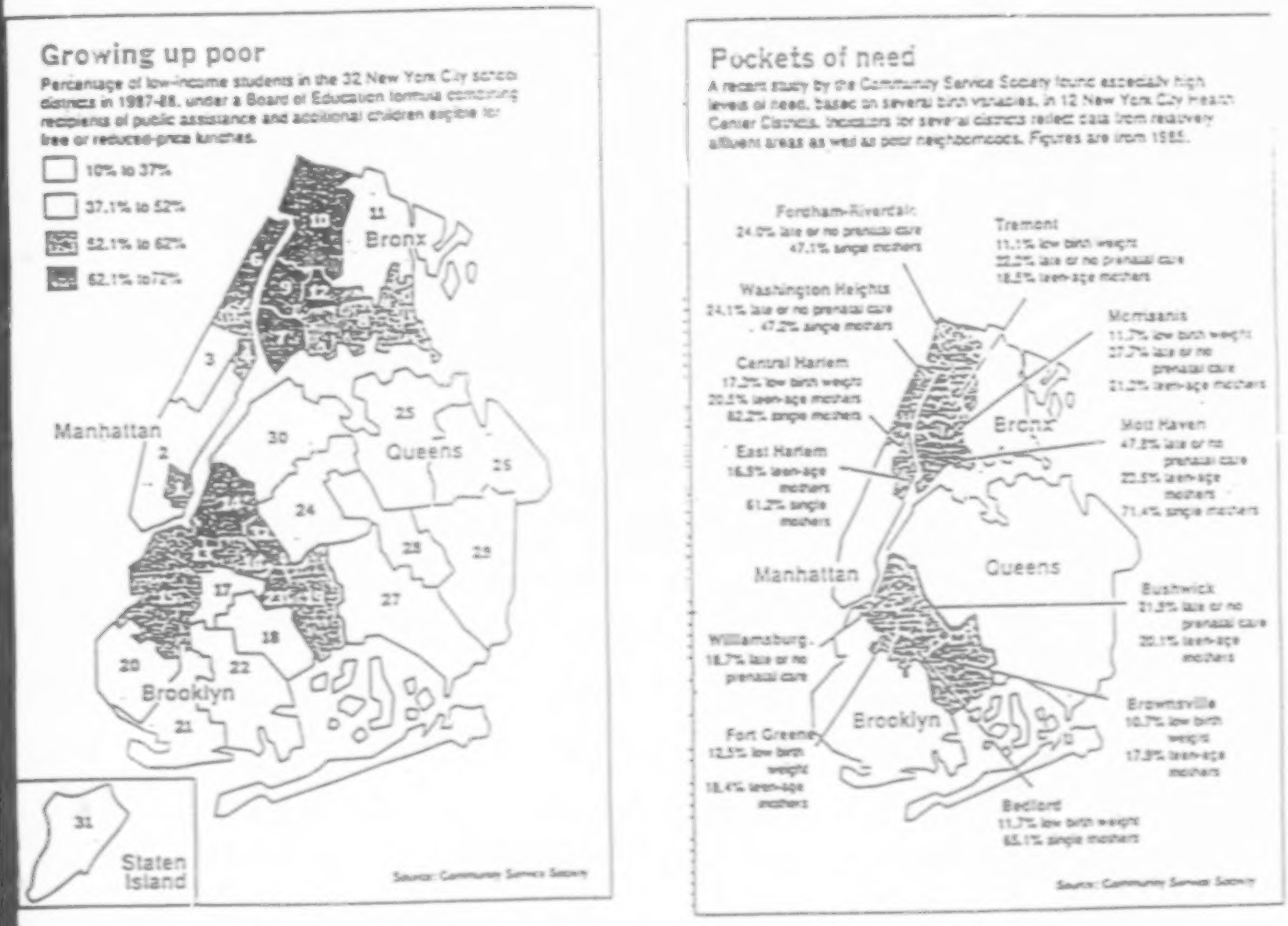
[44] Mincy, Industrial Restructuring.

[45] McGeary and Lynn, Urban Change, Table 1.1, p. 1-13.

Figure 2.13
New York City Poverty
By Geographic Area



**Growing up poor**

Percentage of low-income students in the 32 New York City school districts in 1987-88, under a Board of Education formula combining recipients of public assistance and additional children eligible for free or reduced-price lunches.

Source: Community Service Society

**Pockets of need**

A recent study by the Community Service Society found especially high levels of need, based on several birth variables, in 12 New York City Health Center Districts. Indicators for several districts reflect data from relatively affluent areas as well as poor neighborhoods. Figures are from 1985.

Source: Community Service Society

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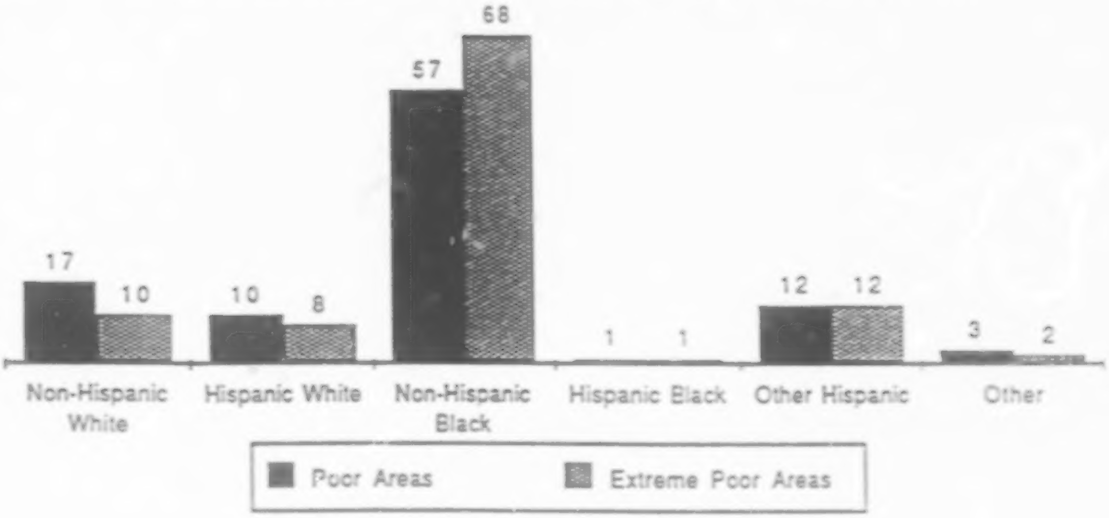
Figure 2.14

The Distribution of Poor Living in Concentrated Poverty in the 100 Largest Central Cities by Racial/Ethnic Group and Type of Poverty Area, 1980



Source: Table 1, Mincy, p. 10.

children in female-headed households in poor neighborhoods, very high percentages were poor.[46]

## THE PERSISTENCE OF POVERTY

Although many people pass through poverty, a smaller number remain poor for long periods of time. As can be seen in Figure 2.15, one in twenty in the population was officially poor at least 80 percent of the time for the decade between 1974 and 1983.[47] The persistently poor, by this rather strict 80-percent definition using the official poverty line, were concentrated in the highest proportions in southern cities (Atlanta, New Orleans, Memphis) and depressed rust-belt cities (Cleveland and Detroit), but their greatest numbers were in the biggest cities. In New York, Chicago, Los Angeles, Philadelphia, Houston, and Detroit, alone, there were estimated to be more than 1.6 million persistently poor people in 1980, as shown in Figure 2.16.

Within cities, the persistently poor were most often located in census tracts with poverty rates 20 percent or higher, where 77 percent of persistently poor Blacks lived, a proportion similar to poor Blacks overall.[48] In contrast, while only a quarter of poor whites (in this

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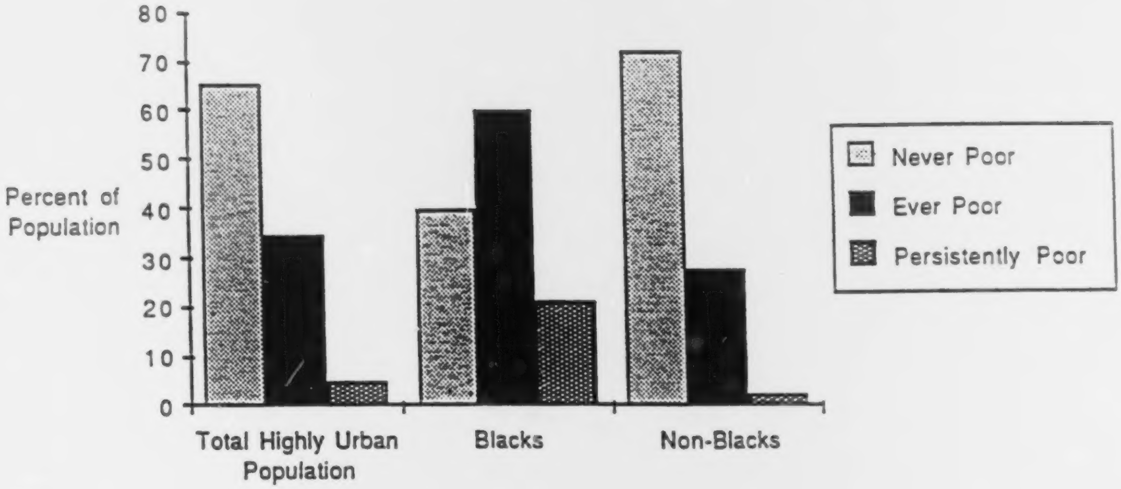
[46] Bane and Jargowsky, Urban Poverty Areas, Table 5, p. 24.

[47] All the evidence in this section is drawn from Adams, Duncan, and Rodgers, Persistent Poverty.

[48] Adams, Duncan and Rogers, Persistent Poverty, Figure 4, p. 13. There is considerable corroborating evidence. See Salinas, "Subemployment and the Underclass," for example. Her analysis of 1970-1974 CWHS data shows that "a substantial proportion of those subemployed adults (ages 25 to 55) in 1974 had been continuously subemployed since 1970 (30% of white males, 43% of black males, 47% of white females, and 58% of black females)." Since the period studied encompassed the peak of the business cycle (in 1971), the data indicates that subemployment is not just a cyclical phenomenon.

Figure 2.15

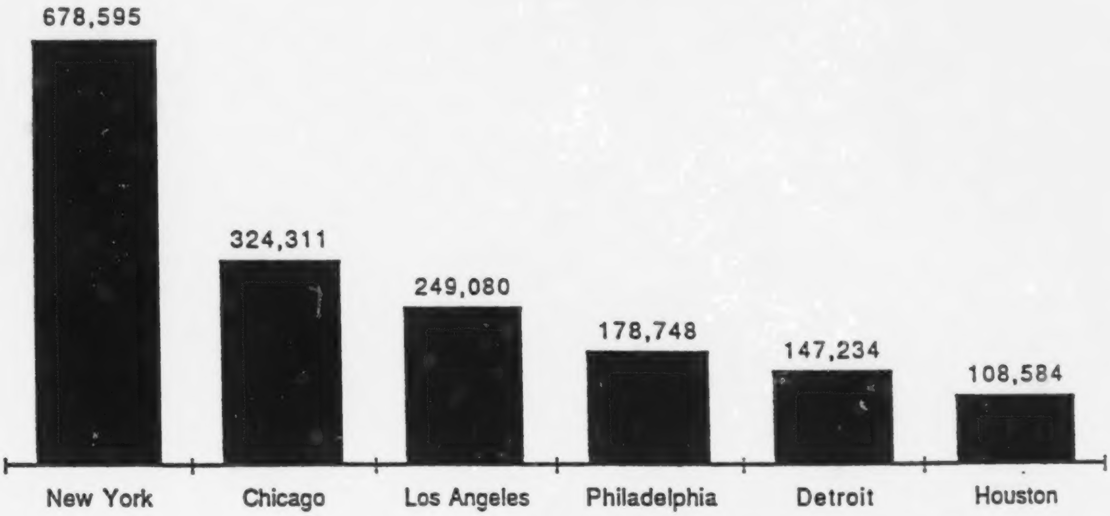


Incidence of Poverty Among the Urban Population, 1974-1983

Source: Figure 1, Adams, Duncan, and Rodgers, p.6.

Figure 2.16

Estimated Persistently Poor Populations of Nation's Most Populated Cities
1974-1983



Total =1,686,552

Source: Table 3, Adams, Duncan, and Rodgers, p. 18.

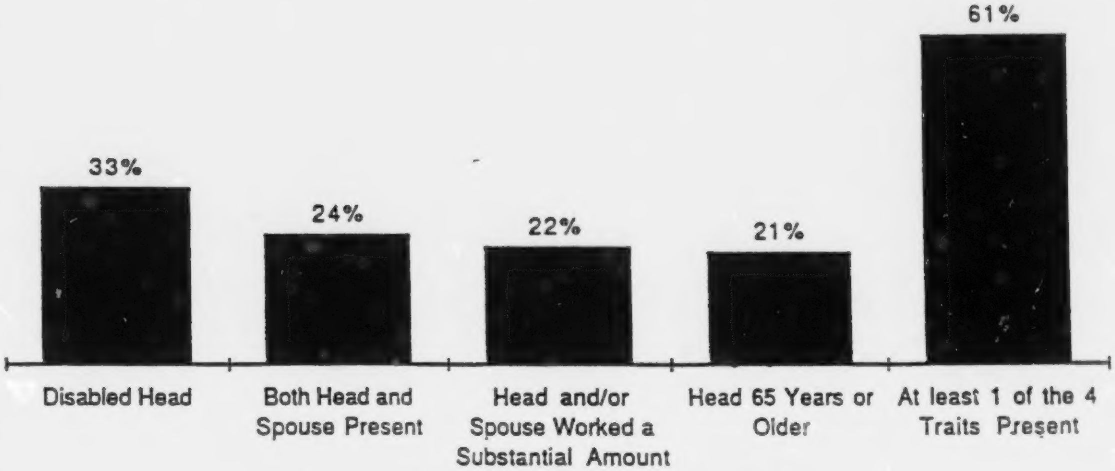
case, the statistics refer to "non-Blacks") lived in poor census tracts, 61 percent of persistently poor whites did.

Although they are by no means in the majority, taken together a considerable number of people who fall persistently below the poverty line lived in households with intact families, or where the head of the household was disabled or elderly, or where the household head worked a substantial part of the year. Figure 2.17 dispels many popular stereotypes.

On the other hand, the persistently poor often have problems that fit the stereotype, such as welfare-dependence, unemployment, or high rates of drop-out from high school. Blacks are over-represented among the persistently poor, providing strong symbolism for the stereotyping of the country's poorest people. Although Blacks made up less than 20 percent of the population in 1979, and 21 percent of the urban population, they accounted for 51 percent of the poor and 66 percent of the persistently poor. Persistently poor households were most often headed by previously married Black women, followed by Black men. Heads of all persistently poor households were generally poorly educated, with close to half dropping out of school before the eighth grade. Children were also highly over-represented among all the persistently poor, and most of these were under age six. Black children accounted for 32 percent of the persistently poor.

Figure 2.17

Percent of Persistently Poor by Type of Household, 1980



Source: Figure 4, Adams, Duncan, and Rodgers, p.13.

## CONCLUSIONS

The separations that divide Americans are deepening. The bad situation of the persistently poor in inner-city neighborhoods has worsened very seriously. It is eroding the social fabric of our cities and undermining our national economic well-being.

Race and ethnicity, household demographics, and physical isolation form the basis for describing most of the inequality of income that the statistics show. These people are poorly educated and under-skilled, suffer from discrimination, and are hampered by low-self-esteem. African-Americans are increasingly isolated from mainstream American jobs, education, culture, and economic life, and so are Puerto Ricans, Chicanos, and Central Americans, women who manage families alone, and slum dwellers. These groups form the base for the evolution of new patterns of poverty.

These separations mirror and extend the divisions that have been deepening among better-off Americans, as the middle class has been dividing into a more and more affluent portion at the top, and a harder-struggling group of workers and unemployed adults at the bottom. The separations are dangerous to the American political body. This danger to the nation is sufficient basis for taking action; we need not rely on pity, guilt, or moral values.

Sophisticated and experienced observers from the Third World are shocked as they now see in the United States scenes that display familiar sorts of distinctions. The gap between well off and very poor confronts these visitors when they see beggars outside elegant city shops and restaurants, or when they hear of neighborhoods that are dangerous to visit -- they are also, of course, dangerous for their residents. These observers have learned to live with, but not to notice such distinctions in the big cities of Asia, Africa, and Latin America. The present danger in the United States is that we are creating a bottom level, like that taken for granted by many in the Third World, with no access to the top. Our social institutions now guarantee this result. This is not what America should be about.

# CHAPTER 3 -- AMERICA ON THE DEFENSIVE: THE INTERNATIONAL DIMENSIONS OF AMERICAN POVERTY

As the global economy changes shape, American poverty rises and falls. Because of the globalization of national economies, distant events now guide the way citizens live, work, and produce, and the way enterprises conduct their business, engage in trade, and invest their funds. This is true now in America as elsewhere. Because the contours of American well-being are tied more than ever before to the behavior of international markets, we must incorporate global events into our explanations of domestic poverty and then into our solutions. It is important for us to comprehend the nature of connections, the directions of influence, and the tightness of global economic relations, for they contribute to the initial conditions that give rise to poverty and they influence the socio-economic and political pressures that have vitiated American efforts to eliminate poverty.

Three features dominate the current situation, in contrast to the past: America is less influential in world-wide economic affairs, the international economy itself is less stable, and the landscape of domestic industry has been transformed. In these circumstances, and given the more complete interpenetration of U.S. and world markets, it is almost impossible to eradicate poverty by relying on the usual domestic economic policies, employment and training programs, or efforts that focus on jobs alone.[1]

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[1] Beckford, Persistent Poverty, is one of the few studies of poverty (in this case, poverty among Caribbean islanders) which adopts such a

Corporate strategies to deal with the pressures of globalization are only temporary responses to longer-term, more ominous global economic trends. The strategies themselves have generated new difficulties for particular places and social groups within the U.S. Not least among these problems is the pushing out of large numbers of people from the economic system, the victims of the previous chapter. The absolute number of poor people in the U.S. has exploded in recent years precisely during a period of heralded national economic recovery, as business has entered competition on international terms. The symptoms and consequences of personal economic insecurity are manifest in declining union membership, lengthening periods of unemployment, and an increased number of intermittent, part-time, or low-paying jobs. As we will see in the next chapter, industrial transformations cause this economic insecurity to be concentrated in particular places--in central cities and the old industrial heartland. We have already seen that hardship falls mostly among particular social groups--African-Americans, Latinos, some immigrants households headed by women, and, generally, children.

Industrial managers and union officials have broken their mutual-admiration contracts, and the high wages of organized factory workers and many other employees have been hacked away. After years of progress with technical innovation, product development, advertising, and big assembly lines, many industries reached the top of the curve of mass consumption and production, which they then followed with cut-backs,

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perspective, focusing on the economic, social, and political structures that generate poverty.

shut-downs, job-loss, and capital flight. After the full flower of the still-limited American welfare state, with its Keynesianism, high wages, supportive labor legislation, and extensive public services, rising expenditures began to outstrip tax resources. Services could not be provided without huge public deficits on top of higher taxes.[2] Printing presses rolled out the cash for the Vietnam war, inflation kept moving up and up, and the reaction set in. The threads of the social safety net began to fray. In California there was Proposition 13; in Massachusetts, Proposition 1-1/2; in New York City, the austerity of the corporate officers who directed the Municipal Assistance Corporation. Almost everywhere school budgets, public services, and maintenance of facilities were neglected. Ronald Reagan, Margaret Thatcher, and other ideologues led an almost global reaction against meeting domestic needs, as political leaders, corporate managers, and other well-paid people saw their privileges threatened by public spending.

Superficial interpretations lead to poor solutions. We, like others, would like to resolve problems of poverty directly and immediately. But simplistic policies, such as conservative proposals for workfare exchanges of welfare for work and liberal proposals for increased federal transfer payments for welfare, are not only unrealistic, but unlikely even if implemented to lead to any permanent alterations in the conditions that lead to poverty. Such programs do not even come close to breaking the complex global cycles of economics and politics that cause and then isolate persistent poverty.

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[2] The terms in quotes are from Radice, "Capital, Labor, State."

## DIMENSIONS OF GLOBALIZATION

Long-term trends in the operation of the international economy have been like tides pulling sand to sea. Day by day the beach erodes, but it is only after months or years that we can make out the new shore and measure the force of the tides. Perhaps because the economic erosion is so deep, many observers now have a clear view of deep poverty and a divided nation.

Forty-five years ago, international conflicts were submerged when the Western nations and Japan submitted to American dominance after the war. There followed more than two decades of stability, but then economic conflicts surfaced again, and with them seem to have come the breakdowns of the old system, leading to the now-visible erosion.[3] Over this latter period, from about 1965 on, rising competition from European and Japanese manufacturers as well as other causes of global instability began to cut into the advantages of U.S. factories.[4] The signs should have been visible for all to see. Some are very clear in retrospect: decline in economic growth rates, rising unemployment, inflation, the disintegration of the industrial and social harmony of the boom, the debilitation of the Vietnam war, the 1967 sterling devaluation, the 1968 events of May in France, the 1969 Italian "hot autumn," Nixon's 1971 dollar devaluation, and the 1973 OPEC price rise for petroleum.[5]

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[3] Epstein, "Financial Instability;" Radice, "The World Crisis;" Lipietz, "Alternative Design;" Leborgne and Lipietz, "New Technologies;" Eichengreen and Frankel, "The Trade Bind."

[4] Radice, "The World Crisis," p.8.

[5] List is mostly from Radice, "The World Crisis," p. 8. Also see first chapter of Peet, *International Capitalism*, and Peet, "Industrial Devolution," and Kolko, *Restructuring the World Economy*.

From the many debates regarding the shape of the international economy, three changes appear particularly important for the study of U.S. poverty: increased global competition, rapid technical advance, and a new "openness." As international competition increases, then foreign industrial producers, shrinking markets abroad, and declining U.S. technological advantage together encourage U.S. companies to respond by restricting employment and retrenching labor relations. The corporate strategies most frequently used to bolster competitiveness have been relocation of operations outside the U.S. and an attack that reduces wages, stratifies occupational structures, and minimizes job security.

Advances in technologies, coupled with deregulation of financial markets and institutions, have permitted businesses to transact and manage finances with increasing speed, more dispersed geography, and a networked interconnectedness. This has resulted in greater instability in financial and commodity markets, as well as a shift from production to speculative, "paper-profit" activities. This drop in real production generates poverty through a decline in the formation of the "real," hands-on jobs in manufacturing that had earlier acted as the entry points for most Americans to the middle class. While Europe and Japan have fostered the relationship between new manufacturing products and technology, in the United States many industrialists have abandoned the production of goods, turning instead to investments in paper capital, focusing on the refinancing of existing assets.

The competition that accompanies increased "openness" of national economies, with less restricted trade, labor, and capital flows, has placed pressure on governments and firms to restructure their operations according to international technological, commercial, and regulatory conditions rather than national ones. In essence, new technologies have played a critical role in the restructuring of the global economy and in the reorganization of occupational patterns, urban economies, and whole regions. This, in turn, has led to reshuffling of national priorities so that domestic labor has become far less valuable to the economy. Low-skilled people are almost valueless in this situation.

## INDUSTRIAL RELOCATION IN THE INTERNATIONAL ECONOMY

Two trends have long been thought to be essential in the organization and dynamic re-organization of capitalism: the centralization of control over capital and the spread of trade, production, and markets. Since the 1960s, there has been a dramatic increase in overseas investment and manufacturing by U.S. corporations. Concurrently, a new species, corporate services, has begun to play an expanded role in America's largest cities--generating employment, attracting foreign investment, and reshaping economic relations within the country. One of the central tasks for researchers has been to identify exactly to what extent these processes have occurred, why they have occurred, and what effect they have had on U.S. economic growth and employment. There is still much debate about how to measure and interpret the changes.

One of the simplest and clearest models of the structure of the international economy goes by the name the New International Division of Labor. From the NIDL perspective, there are economic, political, and spatial implications of the simultaneous process by which ownership and control are centralized and activity is dispersed. Drawing upon early studies of multi-division corporations,[6] many researchers have noted separable segments of industrial (and occupational) structure, which we may conveniently put into three groups: (1) headquarters' operations that encompass the management of innovation and finance, organization, and engineering activities, such as product design; (2) plant-level manufacturing requiring complex machinery and skilled workers; and (3) unskilled operations and assembly production "in principle requiring no qualifications" for the workforce.[7]

These three kinds of activities have different locational requirements. The tasks of central finance and communication require corporate executives to have access to network nodes, while simple assembly production may be expanded in remote areas, given easy access to cheap and unorganized labor. Head offices would therefore prosper most in a few centers, which are now often called "world cities." Location of assembly and process plants in peripheral locations, even in the Third World, would facilitate access to unskilled labor. As later writers using variants of the NIDL perspective pointed out, this location pattern would also increase operating flexibility and domination over labor unions through arrangements such as multiple sourcing of factory inputs from plants in several countries and parallel production of the same products in identical factories in more than one country. Spreading of factory sites furthermore would provide ready access to foreign markets. The resulting spatial division of labor reflects the internal organization of the firm and the dispersal of its functions over a varied regional and national terrain. Some posit even a hierarchy of countries, with their ranks corresponding to their functions in the corporate organizational structure.[8]

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[6] Hymer, The Multinational Corporation; Chandler, Visible Hand, notes six levels of management.

[7] Lipietz, "Imperialism," p. 100.

As corporations adjust to the changing international order, they also initiate three changes of significance for America. First, they relocate manufacturing to peripheral nations, thus challenging directly the jobs and industries of traditional U.S. industrial areas.[9] Second, multinational corporations use their dominance and mobility to undermine national political power Third, as they move manufacturing to the periphery, the corporations create "world cities" in the industrialized

> *What's happening in Washington is less important than the globalization processes. The inability of governments to manage domestic economies because of the enormous capital flows, along with these globalization processes, is one of the key drivers. In that sense, the Bush Administration is as much being buffeted around as the government of any other country.*
>
> *Hazel Henderson, author of "The Politics of the Solar Age: Alternatives to Economics,"*
> *New York Times, April 6, 1989.*

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[8] Frobel, Heinrichs, Kreye, NIDL; Hymer, The Multinational Corporation.

[9] Lall, Economic Dilocation; OTA, Technology and Structural Unemployment; Bluestone, Deindustrialization.

countries, which become the centers of growth and power, where skilled white-collar jobs of control and management are concentrated.[10]

Recent evidence and analyses have highlighted many of the strengths and shortcomings of this NIDL approach. Although there does appear to be an increase in the interdependence of national economies, it is based less on the relocation of manufacturing activities to the Third World than the relocation of production plants inside and among heavily industrialized core countries, including the U.S.[11] Additionally, because the specific needs of some manufacturing operations are pinpointed--such as skilled labor, advanced technology, massive capital, raw materials, and quickly responsive markets--their limited availability restricts activity to specific regions of the world. The focused success of high-technology activities in a very few locations in the advanced industrial countries may reflect such specific needs.[12] Within the NIDL's undifferentiated Third World there is very little highly sophisticated manufacturing, only in a few so-called newly industrialized countries, such as South Korea, Singapore, Hong Kong, Mexico, and Brazil.[13]

Changes in the occupational structure and wage rates generate not only wealth but also poverty in U.S. and other first-world cities. The growth of the service sector seems to increase inequality by generating a larger number of well-paying managerial and professional jobs, very few new middle-income jobs, and many unstable, low-wage jobs. Neither is there any guarantee that low-wage manufacturing activities will not prosper in the "First World.". Recent evidence, in fact, shows manufacturing growth within the largest cities of the U.S. to be based upon sweatshop conditions and cheap immigrant labor.[14] For routine assembly work, it is true, firms will search out overseas cheap labor. But if cheap labor is available in America, we may see it put to work here, too. Some argue that America already has a new internal labor market that reflects the third-world pattern. We now compete with the Third World by resembling it with low-wage unproductive work rather than improving our human resource base so that we produce knowledge jobs rather than exporting them.[15] The critical magnets for plants appear to be cheap, unorganized labor, usually workers inexperienced with industrial production.[16] Such locations in America include suburbs with large reserves of underemployed women, big-city immigrant and minority ghettos, enclaves just across the Mexican border, and un-unionized small towns and rural areas outside the manufacturing belt.[17]

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[10] Hymer, The Multinational Corporation; Friedmann and Wolff, World Cities.

[11] Jenkins, "Divisions;" Gordon, "The Global Economy."

[12] Markusen, High Tech America; Storper and Scott, Production, Work and Territory; Storper and Walker, Capitalist Imperative; and others writing about territorial production complexes or industrial districts.

[13] Scott, Metropolis.

Other perspectives on the international economy delineate hierarchical models that are slightly different. Post-industrial writers see the shift to services as a move to an advanced stage of economic activity, following in an evolutionary form after agriculture and industry.[18] Their hierarchy is based again on the economic role of each country in the global economy, but now with service-based, post-industrial countries at the apex. Accordingly, the growth of services should be encouraged, and hardship (such as poverty) viewed as a temporary cost of transition. Post-industrialists thus emphasize the importance of education for a new society and assume the decline of manufacturing. Critics point out, however, that instead of an absolute decline, what appears to be occurring is qualitative change in the manner of manufacturing, involving greater intermediate service inputs

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[14] Portes and Walton, Labor; Sassen, Mobility.

[15] As argued in Ch. 5. This is at least in part a consequence of conscious public policy. See Goldsmith, "Third World."

[16] Storper and Walker, Capitalist Imperative; Fernandez-Kelly, For We are Sold.

[17] Scott, Metropolis, pp. 210-11.

> *There is continuing growth in employment*
> *of people caring for people.*
> *This can be professional jobs--doctors,*
> *teachers, professors.*
> *It can be psychologists, it can be*
> *day-care workers, it can be people who are*
> *working in the food departments*
> *of hospitals.*
> *We're creating other millions of jobs cleaning*
> *up the environment.*
> *Another kind of function that's increasing in a*
> *crowded society is protective work.*
> *We can't even count how many people are working*
> *in air-transportation security.*
> *The last sector that's increasing: employment*
> *that facilitates consumption. We are buying*
> *more food away from home than we are buying to*
> *eat at home.*
> *This creates millions of jobs for*
> *people who prepare food.*
>
> -- Audrey Freedman,
> *management counselor with Conference Board Inc.*

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[18] Lindert and Williamson, American Inequality.

between initial production and final sale.[19] This transformation alters the demands for labor, greatly reducing the need for people in the productive process without any parallel reduction of manufacturing (or agricultural) output.

Some who subscribe to long-wave theories view these changes as fundamental shifts in the organization of society, based on the emergence of new technologies and social systems associated with particular technological regimes.[20] This perspective suggests that current events are only the beginning of a more fundamental change: in this new wave, there are new "core" cities and regions, with a corresponding reorganization of national power in the international economy.[21] The U.S. will not remain the wealthiest country or the generator of new forms of social organization.

Long-wave theorists focus heavily on technological change and the resulting reorganization of production. A few studies of unemployment within this perspective focus on the reduction in the amount of labor required in each successive stage of technological development--"the tendency for smaller increments of employment to be associated with each new 'vintage' of machinery and plant."[22] The fear is that, in the context of international competition, levels of capital investment using high-productivity machinery are not sufficient to reach full employment.

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[19] See Cohen and Zysman, Manufacturing Matters; and Walker, Geographical Organization, for a further critique of the post-industrial model.

[20] Perez, Structural Change; Freeman et al, Unemployment.

[21] Perez, Structural Change.

[22] Freeman, et al., Unemployment, p. xii.

In addition to the individual costs of unemployment, there is the specter of Europe in the 1930s when

> mass unemployment provided a fertile breeding ground for [Hitler's] doctrines and thousands of recruits for the storm troops and paramilitary formations. The riots in English cities were a further salutary reminder of the potentially explosive psychological and political consequences of large-scale unemployment associated with inner-city decay.[23]

The NIDL theories may not depict all the complexities of the re-structuring of the global economy; post-industrial theories direct our attention away from the continued importance of manufacturing; and long-wave theories provide only a partial context for prognosticating the shape of things to come. Yet the work of theorists in these schools nevertheless serves as an important initial guide in understanding the internationalization of production and the centralization of control.

## TRADE FLOWS, MARKET SATURATION, AND CORPORATE PROFITS.

The growing internationalization of capital, commodity, and labor flows is a well-documented trend. Evidence of growing international interdependence is revealed through the briefest examination of data. Figure 3.1 records the surge in imports and exports to and from the U.S. market as a share of gross national product. Until the late 1960s, for example, imports played a relatively small role, never more than six percent of GNP. By 1987, imports had grown to about 15 percent of

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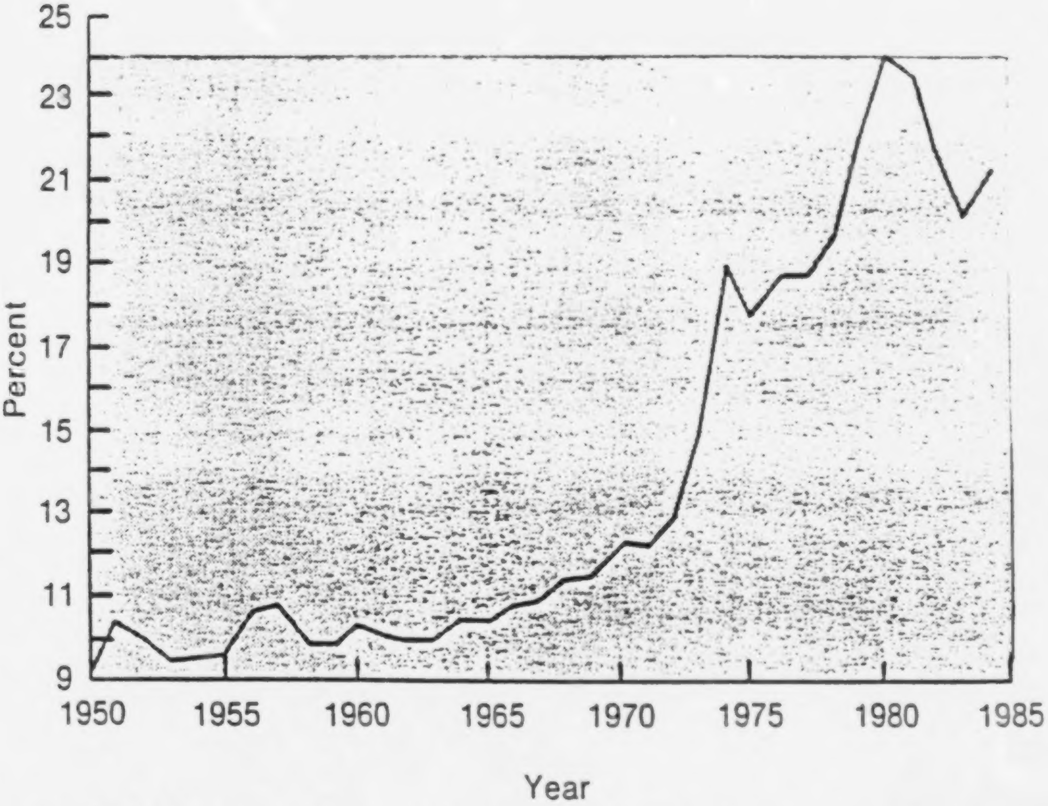
[23] Freeman, Unemployment, p. xiii.

Figure 3.1: Trade as a Percent of GNP, 1950-84



SOURCE: Council of Economic Advisers, *Economic Report of the President*, transmitted to the Congress February 1985 (Washington, DC: U.S. Government Printing Office, 1985).

GNP.[24] Domestic manufacturing suffered the most: by 1986, almost 45 percent (by value) of manufactured products purchased in the U.S. was imported from abroad.[25]

In other advanced industrial countries, the role of imports and exports in national growth rose similarly. As Table 3.1 documents, there was a rise in the foreign trade of many countries beginning in 1965 and accelerating later. These trade patterns run contrary to the expectations of conventional economics, which uses the theory of comparative advantage to predict trade of sophisticated, capital-intensive, industrial goods from core countries in exchange for raw materials and labor-intensive goods from developing countries. Instead, the rapid increases in commodity flows have occurred among old industrial partners themselves as well as with a few newly industrialized countries (NICS), each seeking to sell similar goods. Such trading patterns among similar competitors had been predicted for some years and even recommended as policy for small developing countries.[26] By now, however, "all of the major industrialized countries (as well as the NICs) were producing the same collection of products and were engaged in intra-industry trade--the trading back and forth of essentially the same products."[27]

The inter-penetration of mass markets led to excess capacity in mass-production industries, as manufacturers in each country attempted

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[24] OTA, Technology and Structural Unemployment, Fig. 1-11, p.18.

[25] Harrison and Bluestone, U-Turn, Table 1.10.

[26] Linder, Trade and Transformation; Hirsch, Location of Industry; and other works using Raymond Vernon's product-cycle theories.

[27] Harrison and Bluestone, U-Turn, p. 9.

Table 3.1

## Exports and Imports as a Percentage of GNP

| | 1950 | 1955 | 1960 | 1965 | 1970 | 1975 | 1980 |
|---|---|---|---|---|---|---|---|
| | | | *Exports of Goods/Services as Percentage of GNP* | | | | |
| U.S.A. | 4.9 | 5.0 | 5.5 | 5.7 | 6.4 | 9.6 | 12.9 |
| Japan | 12.5 | 11.0 | 11.5 | 11.0 | 11.0 | 13.5 | 15.0 |
| Germany | 11.0 | 20.0 | 20.0 | 19.0 | 22.0 | 26.0 | 28.5 |
| France | 16.0 | 15.0 | 14.0 | 12.5 | 15.0 | 18.5 | 21.0 |
| U.K. | 22.0 | 21.5 | 20.0 | 18.5 | 22.0 | 25.5 | 28.0 |
| Italy | 12.0 | 11.0 | 13.0 | 15.0 | 17.0 | 21.0 | 23.0 |
| | | | *Imports of Goods/Services as Percentage of GNP* | | | | |
| U.S.A. | 4.2 | 4.5 | 4.6 | 4.7 | 6.0 | 8.3 | 12.0 |
| Japan | 11.5 | 10.5 | 11.0 | 10.0 | 10.0 | 14.0 | 16.0 |
| Germany | 13.0 | 17.5 | 17.0 | 19.0 | 20.0 | 23.5 | 29.0 |
| France | 15.0 | 13.0 | 11.0 | 11.5 | 15.0 | 18.0 | 21.0 |
| U.K. | 23.0 | 23.0 | 21.5 | 19.5 | 21.5 | 27.5 | 26.0 |
| Italy | 13.0 | 12.0 | 15.0 | 14.0 | 18.0 | 22.0 | 27.0 |

SOURCE: United States: United States Department of Commerce, *Survey of Current Business* for the years cited.
OTHER COUNTRIES: International Monetary Fund publications for the years cited.

Secondary source: Piore and sobel, Second Industrial Divide, p. 165.

to supply both their own and their neighbors' markets.[28] With increased competition for domestic and foreign markets, corporations operated their plants well below full capacity, thus eroding productivity and raising the unit cost of production.[29] The resulting cutbacks led to a lowering of demand for the domestic labor force in the U.S. and Western Europe because NIC labor was competing for precisely the same type of work, but receiving much lower wages and many fewer social benefits in exchange. This placed domestic labor in competition with overseas labor, and it put lower-skilled domestic workers in the U.S. in competition with both overseas labor and internally with one another. In this circumstance, the politically weakest labor groups, namely Black and Hispanic workers, were the hardest hit losers.

Productivity levels plummeted in U.S. industries throughout the 1970s and early 1980s.[30] The rate of growth of productivity declined by two-thirds, from 2.7 percent per year between 1960 and 1970 to 0.9 percent between 1979 and 1985.[31] Drops in productivity in U.S. plants were more severe than those experienced by U.S. competitors.[32] As Table 3.2 indicates, the growth of productivity in countries such as West Germany, France, and Japan has been much higher than in the U.S. Slow American productivity gains were translated into relatively higher unit costs of production, which could not easily be passed on to consumers, since markets were increasingly saturated and competitors were cutting costs. Moreover, these increases in cost of inputs made the selection of labor for the remaining jobs tighter, allowing employers to insist upon higher qualifications and more rigid screening for positions.

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[28] Bluestone and Harrison, Deindustrialization; Piore and Sabel, The Second Industrial Divide.

[29] But note that half-capacity production in twin plants was also used as a conscious strategy to reduce union strength, strike threats, and related disruptions of production. See, e.g., Bluestone and Harrison, Deindustrialization, Ch. 6.

[30] Labor productivity is the ratio of output to hours worked. An alternative measure of productivity, total or multifactor productivity, is output divided by the weighted sums of inputs (capital and labor). Calculation of multifactor productivity requires estimation of a production function and specification of expected future wages, prices, interest rates, and business conditions. The need to specify these conditions means that labor productivity is a preferable indicator of overall industrial productivity. While there are problems with using labor productivity as a single measure of efficiency or competitiveness, the accumulation of data showing productivity drops, trade deficits, declining output, and investment decreases suggests that the U.S. economy is under stress.

[31] Thurow, "Inequality," p. 32. McUsic, "U.S. Manufacturing," finds that, from 1973 to 1985, productivity in nonfarm businesses grew only

By the mid-1970s, markets for consumer durables (such as automobiles, washing machines, and radios) slowed their expansion:

> This was especially true in the U.S., where in 1979 there was one car for every two residents, compared with one for every four in the early 1950s. Ninety-nine percent of American households had television sets in 1970, compared with 47 percent in 1953. Similarly, more than 99 percent of households had refrigerators, radios, and electric irons, and more than 90 percent had automatic clothes washers, toasters, and vacuum cleaners.[33]

The problem of market saturation was compounded by the entrance of new competitors into the international market for consumer goods. Many third-world countries pursued policies to encourage the growth of domestic industries. Some, such as those known as the Four Tiger (Hong

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0.6 percent per year. Manufacturing productivity growth declined from 3.2 percent between 1960 and 1973, to 2.2 percent between 1973 and 1985.

[32] Thurow, "Inequality."

[33] Piore and Sobel, The Second Industrial Divide, pp. 184-5.

Table 3.2

Average annual growth rates of labour productivity (GDP per man-hour)

| | *1870–1913* | *1913–50* | *1950–60* | *1960–70* | *1970–80* | *1973–80* |
|---|---|---|---|---|---|---|
| France | 1.8 | 1.7 | 4.3 | 5.1 | 3.5 | 3.7 |
| Germany* | 1.9 | 1.2 | 6.6 | 5.2 | 3.6 | 3.2 |
| Italy | 1.2 | 1.8 | 4.3 | 6.3 | 2.5 | 1.7 |
| Japan | 1.8 | 1.4 | 5.7 | 9.6 | 4.3 | 2.6 |
| UK | 1.1 | 1.5 | 2.3 | 3.2 | 2.4 | 1.5 |
| USA | 2.1 | 2.5 | 2.4 | 2.4 | 1.5 | 0.6 |

*Federal Republic 1950–80

*Sources:* 1870–1950; Maddison (1979, 1980); 1950–80: OECD for GDP and Employment, ILO (1980) for working hours.

Secondary source: Freeman, p. 146.

Kong, Singapore, South Korea, and Taiwan), focused on the development of an export base of mass-produced consumer durables. Others, such as Brazil, Mexico, and Argentina, concentrated on the creation of domestically-oriented, mass-production industries. While claims of success for these policies are much debated, one clear consequence was the introduction of competition to markets once well-protected for the corporations headquartered in the industrialized countries.

The combination of reduced productivity in domestic production and increased competition for sales in U.S. and foreign markets translated into declines in the profits of U.S. corporations. From 1965 to 1980, the net after-tax profit ratio of U.S. corporations dropped by 30 percent, from nearly 10 percent per year to less than 6 percent.[34] Profits in manufacturing declined drastically from the mid-1970s to 1986, as shown in Figure 3.2.[35]

In addition to increases in competition for markets and an increased volume of trade, new patterns of trade emerged in the early 1980s. Reflecting the relocation of production facilities abroad, intra-firm trade (that is, foreign trade between branches of one company) began to boom. In 1982, for example, 27 percent of all U.S. exports went from companies to their subsidiaries, and an enormous 56 percent of imports came from affiliates. Increasing intra-firm trade was reflected in changes in the geographical patterns of U.S. trade;

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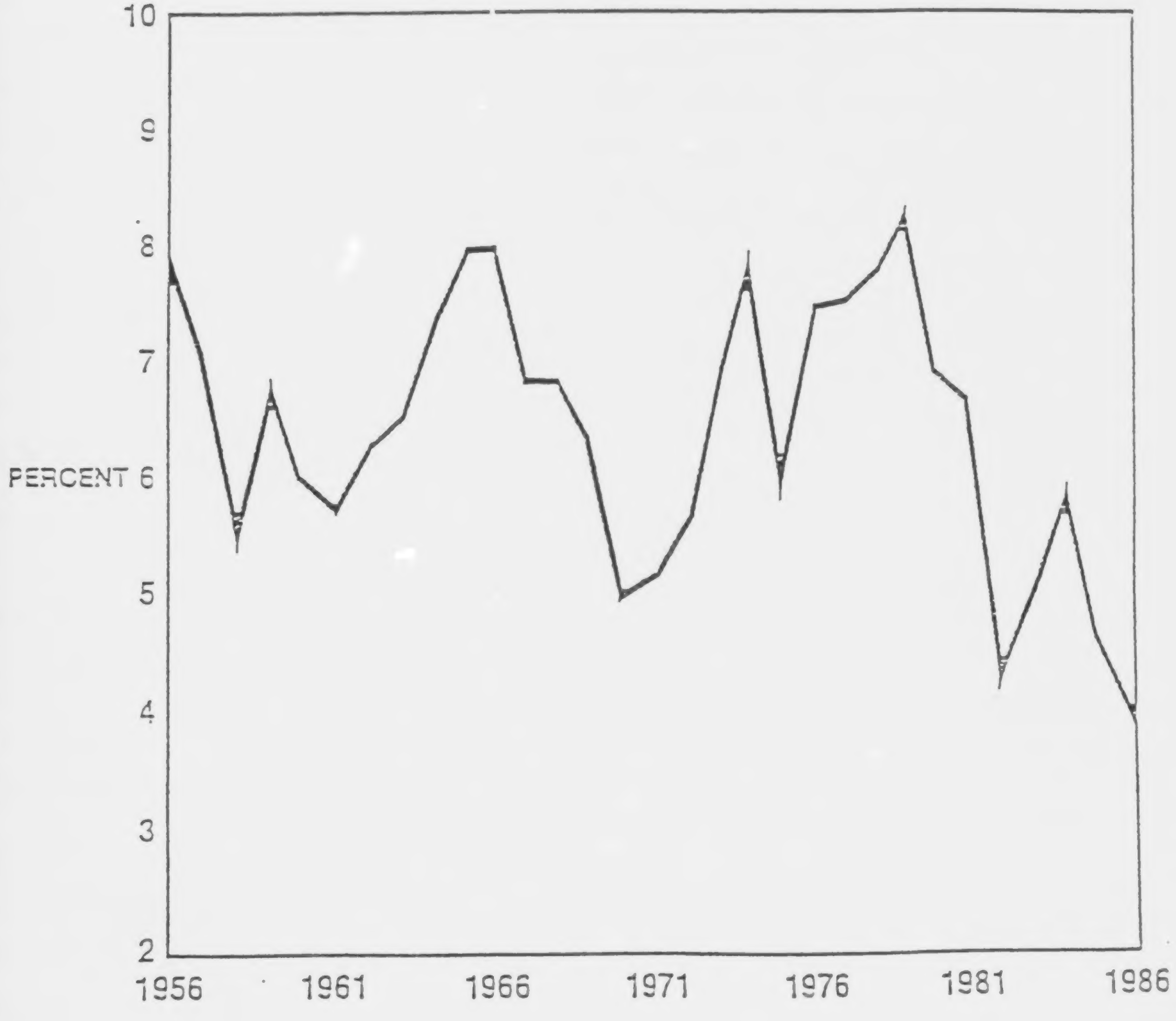
[34] Bluestone and Harrison, Deindustrialization, p. 8.

[35] Perna, "The Shift from Manufacturing," pp. 32-33, shows that measurement of the size of manufacturing's share of GNP is very sensitive to changes in the base deflation year. The more recent the base year, the smaller the manufacturing share. The use of current values avoids this measurement problem.

Figure 3.2

## ANNUAL RATE OF RETURN ON TOTAL ASSETS IN THE MANUFACTURING SECTOR, ANNUAL AVERAGES, 1956-1986



. Source: . Department of Commerce, Federal Trade Commission
1986 figure reflects data for the first quarter of the year.

Secondary source: Cohen, Teece, Tyson, and Zysman here we see the beginning of growth in imports and exports directed to and from the third-world locations of subsidiaries and affiliates. Many of the exports actually came back to the U.S. as imports; between 1983 and 1985, one-third of the increase in U.S.-manufactured exports were components of goods later imported, after assembly or other work done mostly in third-world "export platforms," such as the Mexican border *maquiladora* plants.[36]

## INTERNATIONALIZATION OF FINANCE: INSTABILITY, SPECULATION, AND DEBT.

Changes in international commodity flows were accompanied by reorganization of international financial markets. The globalization of finance has weakened the control any one country has over capital circulation. Simultaneously, however, increased capital flows, reduced financial regulations, and more-developed communication technologies have increased the possibilities for speculative gain and thus opened new ways for firms to make money. These transformations have had an effect on the strategies that U.S. businesses use to increase profits. These strategies, too, have exacerbated poverty in American cities indirectly, by placing the fate of American workers and firms in the hands of foreign capital markets.

The internationalization of finance further weakened U.S. control over international exchange and investment. The 1971 introduction of a floating dollar, proposed by Milton Friedman, among other orthodox economists, as a way to stabilize the international monetary system, proved in the end to be destabilizing to trade and economic policy. Fluctuations in currency values affect the national economy by affecting capital flows, competitiveness, trade, employment, profits, and debt.[37]

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[36] Wilson, "The New Maquiladora."

Interests rates within the U.S., and the low price of the dollar, did help to attract foreign investors. As U.S. investment abroad increased, so did foreign direct investment in America.[38] Between 1976 and 1980, foreign investors financed 196 plants in New York, 161 in California, 94 in North Carolina, and 87 in Texas.[39] Much of this investment, however, consisted of the purchase of existing plants and buildings rather than the construction of new ones.[40] Attracted by the declining value of the dollar, investors improved their access to the U.S. market, avoided import and tariff restrictions, found an available labor supply, and were blessed by intense recruitment by local government. In spite of this minor relief, investment slacked in the areas that traditionally absorbed the low-skilled and under-skilled workers just at the time prices were rising. These twin forces were very destructive to people at the low end of the economy.

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[37] Kolko, Restructuring the World Economy, p. 215. Between 1969 and 1983, the value of items assembled abroad increased by almost 20 percent per year. (OTA, Technology and Structural Unemployment, p. 32.) In part, this is because fluctuating foreign exchange rates provide transitory investment possibilities for speculation. Daily foreign-exchange trading in the U.S. was less than $1 billion in 1969, and reached $23 billion by 1980 and $34 billion in 1983. Worldwide, daily foreign-exchange transactions doubled between 1979 and 1984, from $75 billion to $150 billion, and then rose to over $200 billion in 1986. In the U.S., only 16 percent of this enormous volume of foreign exchange actually financed trade; the rest was used for speculative transactions. Kolko further estimates that 90 percent of worldwide currency exchanges are conducted by banks or other dealers. These depend on rapid flows of information and the rise of micro-electronics-based communication systems.

[38] Glickman, Cities and the NIDL, p. 9, footnote 7; Bauer, cited in Sassen, "Recomposition and Peripherilization."

[39] Sassen, "Recomposition and Peripherilization," p. 93.

[40] Sassen, "Recomposition and Peripherilization."

Other sources of destabilization include the rise in oil prices under OPEC, followed by the huge increase in petro-dollars and Euro-dollars entering the global economy. Forecasts of input prices are essential to the accurate planning of industrial production targets and market strategies; thus, the OPEC-manipulated price increases for petroleum, beyond the direct relative price effect, proved to be an unanticipated factor that greatly harmed some industries, such as autos and tires.[41]

OPEC oil price rises did more than hurt exports of those countries lacking petroleum. The magnitude of money flowing from the core oil-importing countries to the OPEC countries after 1973 made possible the rapid industrialization of some of the latter, drawing upon the labor, capital, and technical expertise of the world economy.[42] More significantly, perhaps, the OPEC price increases permitted the largest oil companies of North America and Europe to increase profits 400 percent; the price increase was thus associated with the rise in pace and scale of capital circulation and in the rise of new centers of power within the industrialized countries (such as Houston and Dallas). Furthermore, the hefty rise in gasoline prices extracted savings from even the poorest groups in America, savings which the oil companies then could use for financial services and international banking.[43] While this may seem tangential to the discussion of poverty, it has several direct implications. First, as capital flowed out of the nation to industrialize other nations, our own labor force was idled. Second, the capital available for financing both production and government services diminished. Finally, domestic and foreign policy became part of the same congressional and presidential agenda for the first time in American history. Put more simply, U.S. poor people had to compete for attention with Saudi Arabia's needs and interests.

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[41] Piore and Sabel, The Second Industrial Divide.

[42] Tanzer, Political Economy.

[43] Sassen, "Recomposition and Peripherilization," p. 91.

The growth in world debt provides further illustration of the increasing interdependence of national economies. The U.S. banks that financed much of third-world industrialization from the 1950s through the 1970s can neither force repayment (since the debtor countries are literally unable to pay) nor permit defaults.[44]

Additionally, the volume of U.S. foreign debt has exploded. Not only did the federal government spend 1.3 trillion dollars more than it collected in taxes and government receipts from 1981 to 1989, but consumer and business indebtedness also increased.[45] The growing debt has become a double tax on the poor. Government services have been reduced to balance the budget, and government programs aimed at correcting economic inequality have been abandoned.

U.S. economic growth over the last decade was bought at great costs--declining average living standards, growing inequality, and increasing poverty. Moreover, this growth, whatever its benefits,

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[44] Kolko, Restructuring the World Economy, pp. 73-77

[45] For instance, during past recoveries, the ratio of new consumer debt to net growth in disposable income was between 24 and 29 percent. In this last recovery, this ratio was 44 percent. Likewise, debt-to-equity ratios have increased for business, as firms finance leveraged buyouts and takeovers with junk-bonds and other high-interest loans. Harrison and Bluestone, U-Turn, p. 150.

> has been achieved almost entirely by two manifestly undesirable means. One is the boom in military spending which has aggravated the federal deficit and distorted the long-term development of civilian research and development. The other is the piling up of incredible levels of debt.[46]

These changes in the structure of world trade and finance have created additional pressures of increasing competition, uncertainty, and instability, on firms, communities, and families. The nation is dividing itself economically and committing economic cannibalism among communities and classes. Corporations have relocated production activities, reoriented investment priorities away from production, and, as technologies and government regulations permit, reorganized production itself. Even these attempts have been only partially successful. American shares of world trade have dropped, profitability and productivity rates have declined, and U.S. firms have failed to remain competitive in such manufacturing industries as steel, television and video cassette recorders, and now semiconductors. These problems all suggest a long-term decline in competitiveness of some American industries, with corresponding losses of the jobs upon which some American communities and large segments of the most vulnerable members of the labor pool depend.[47]

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[46] Harrison and Bluestone, U-Turn, p. 17.

[47] Cohen, et al., "Competitiveness;" Cohen, Manufacturing Matters. Thurow and Tyson, "Trade Imbalance."

## RESTRUCTURING FOR WHOM?

The emergence of new patterns and higher volumes of trade in the last decades has meant that firms are less insulated from international market pressures than they were prior to the 1970s. Given the rise of new competitors, increasing import penetration, and market saturation, relocation can at best be a partial response to international changes. Indeed, numerous business texts, self-help management books, and the business press have commented on the process of internal corporate restructuring, designed to enhance corporate flexibility, increase profits, cut costs, reduce risks, and gain markets. The restructuring of an industry may include the reorganization of corporate ownership, changes in organizational structure and style, and alteration of occupational and employment relations. There are several consequences of restructuring most pertinent to our study of poverty in American cities. Jobs are lost, wages are cut, and occupational changes are adopted to reduce payroll size. There are changes in the way profits are made and consequently the way investments occur. Public policies reinforce and echo industrial restructuring efforts. New employment relations, uncharacteristic of the post-WWII period, become dominant. (This last consequence of restructuring will be discussed in the next section of this chapter.)

## Trade Flows and Job Loss, Wage Cuts, and Occupational Change

Between 1979 and 1984, 11.5 million American workers lost their jobs because of plant shutdowns or relocations.[48] Of these 11.5 million workers, 5.1 million had held their jobs for at least three years and thus were counted as displaced by the U.S. Bureau of Labor Statistics. In January 1984, two million of the displaced workers were still either officially unemployed (1.3 million) or had dropped out of the labor force (730,000) after not finding new jobs. As shown in Figure 3.3, almost one-fourth were unemployed for over a year, and 43 percent were unemployed for at least 27 weeks. These levels of unemployment pit workers against one another. This internal competition for jobs has brought out the most vicious forms of economic racism. Whites and Blacks with good educations compete with one another for the remaining jobs and push lower-income groups out of the labor force.

At least half of those who did find jobs had cuts in earnings. Nearly half of the displaced workers worked in manufacturing industries, mostly in those hardest hit by international competition, such as steel, automobiles, industrial equipment, textiles, and apparel.

Crude calculations by the U.S. Office of Technology Assessment suggest that imports and exports exercise a tremendous differential effect on employment gains and losses, the latter running as high as 25 percent in some industrial sectors.[49] Absolute losses are estimated in

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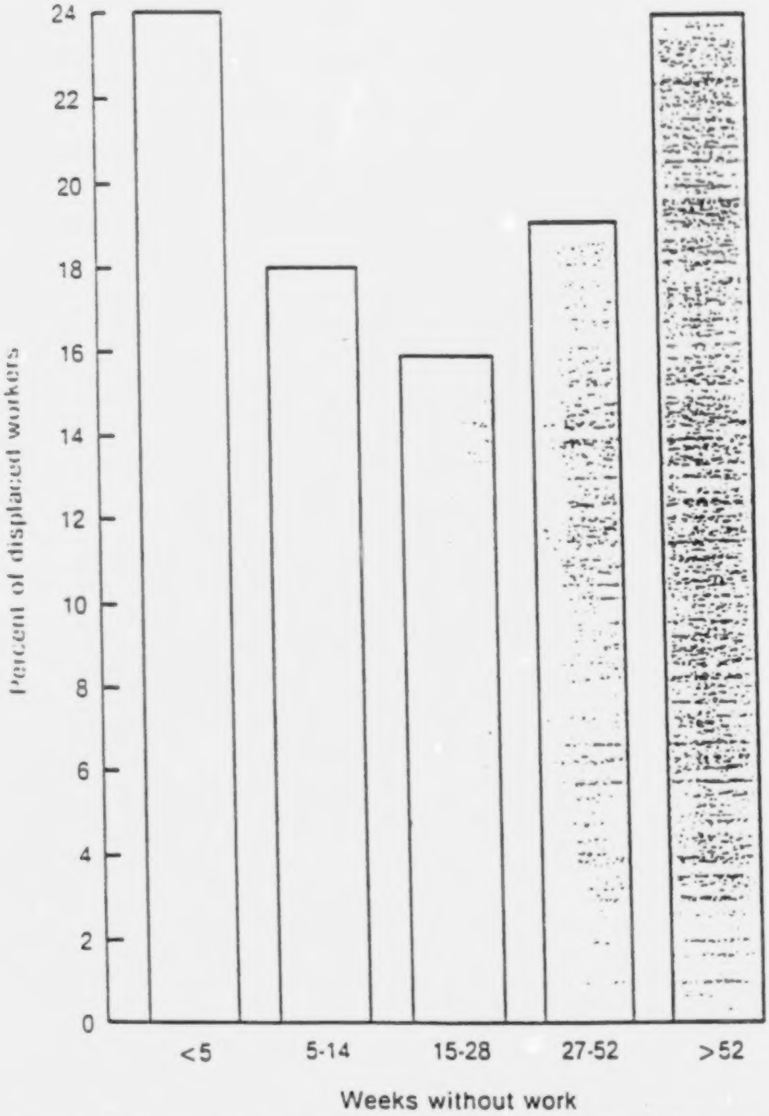
[48] Bluestone and Harrison, Deindustrialization, estimate that 22 million jobs were lost between 1969 and 1976.

[49] OTA, Technology and Structural Unemployment, Figure 1.6, p. 9.

Figure 3.3

Displaced Workers' Weeks Without Work, as of January 1984



SOURCE: Paul O. Flaim and Ellen Sehgal. "Displaced Workers of 1979-83: How Well Have They Fared?" *Monthly Labor Review*, June 1985, p. 12.

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Figure 3.4. For every $1 billion of direct foreign investment, an estimated 26,500 jobs were lost.[50] The loss or gain of jobs in sectors that export or compete with imports is particularly important since these jobs tend to be higher paid than those in the rest of the economy. Workers who lose jobs are forced into lower-paying jobs, inducing a decline in the average real wages in manufacturing and the overall economy.[51]

A few analysts incorrectly assume employment loss is not related to changes in trade. One narrows the focus to complete, physical, factory shut-downs, which account for only two percent of all private-sector employment loss.[52] Another notes that slow manufacturing growth between 1973 and 1980 was still higher in the U.S. than any other major industrial country.[53] Still another makes an argument of statistical composition, asserting that the high drop in Northeast and North Central manufacturing employment "should not be particularly disturbing, since manufacturing dominates the non-agricultural economies of many of the states in those regions."[54] Two of these analysts assert that employment growth in non-manufacturing is compensating for the losses in manufacturing, that the shift to low-income employment reflects the entry of a large number of young workers--the baby-boomers--into the labor market, and that a focus on the imbalance of imported and exported

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[50] Frank and Freeman, "Distributional Consequences," cited in Bluestone and Harrison, Deindustrialization, p. 45.

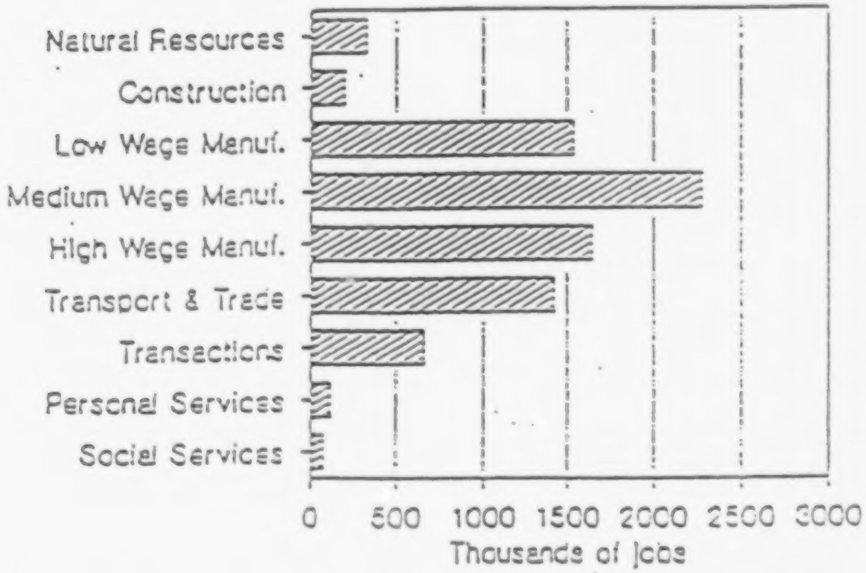
[51] Thurow, "Inequality."

[52] Birch, Job Creation and "Who Creates Jobs," cited in Bluestone and Harrison, Deindustrialization, p. 47.

[53] Lawrence, Can America Compete, Table 2.5, p. 28.

[54] Lawrence, Can America Compete.

The Jobs Lost Because of
Imports of Manufactured Products in 1984
(illustrating trade linkages)



How To Read This Figure: Imports of manufactured products in 1984 resulted in the loss of 1.5 million jobs in Low Wage Manufacturing Industries, 2.3 million jobs in Medium Wage industries and 1.6 million jobs in High Wage Manufacturing businesses. The loss of business for manufacturing, however, also creates losses for businesses that supply manufacturers with resources and services. Imports of manufactured products in 1984, for example, resulted in the loss of 300,000 jobs in Natural Resource businesses and 660,000 jobs in Transactional businesses.

SOURCE: Office of Technology Assessment (see table 7-10 of ch. 7).

FIGURE 3.4

merchandise is deceptive since it ignores the positive trade balance in services, the expansion of exports, and the role of increasing oil prices in the growth of the deficit.

These points can be refuted. Service employment is growing but, as we shall see in Chapter 4, service occupations are more unstable and usually pay less, and they require different skills than blue-collar work. Displaced manufacturing workers do not find it easy to obtain comparable employment, and they are likely to be unemployed for prolonged periods. Moreover, service jobs require more public contact, which encourages more social discrimination than the old manufacturing employment structure. Furthermore, even one of the most vociferous enthusiasts of service-sector growth grants that between 1980 and 1984, "manufacturing employment was in serious decline in all regions of the country except one," that 28 states declined more than one percent per year, that some states showed "disheartening statistic[s]," and that "the problem has been national in scope."[55]

Service jobs do not compensate for declining manufacturing employment. The transition is difficult and costly for the individual and the society. Furthermore, manufacturing jobs have traditionally provided better opportunities for Black men to secure middle-income earnings than other occupations; the decline in these jobs in particular may disproportionately hurt their employment opportunities because of discrimination.[56] In essence, the ways into the labor market are increasingly difficult and more frustrating for the least qualified workers.

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[55] McKenzie, Competing Visions, pp. 44-45.

[56] Burstein, Discrimination.

A drop in the real wages of American workers has been one consequence of the shift to lower-paid service jobs, of union concessions forced by corporate threats of relocation or shutdown, and of declining industrial sectors. Real wages grew continuously from the end of World War II until 1973. As Figure 3.5 shows, from 1979 to 1981 they declined precipitously, and they have remained low. Real wages (1989) are currently below the levels of the early 1970s. In manufacturing, the real weekly wage fell by 4.3 percent, and for all sectors it fell 3.9 percent between 1973 and 1985. During the same period, real average hourly earnings in all non-agricultural establishments fell 5 percent.

Some researchers expect displaced workers to be re-employed in the service sector,[57] but the relatively slow growth of service-sector employment in the most severely affected areas--the Atlantic and North Central states--suggests that manufacturing and service jobs will both be difficult to find. As Figure 3.6 depicts, the greatest concentration of displaced workers was in the East North Central states of Michigan, Ohio, Indiana, Illinois, and Wisconsin. Despite accounting for only 18 percent of the work force, this region accounted for 24 percent of those displaced. Other manufacturing areas, the Middle Atlantic states (New York, New Jersey, and Pennsylvania) and the East South Central states (Mississippi, Alabama, Tennessee, and Kentucky), also had more than

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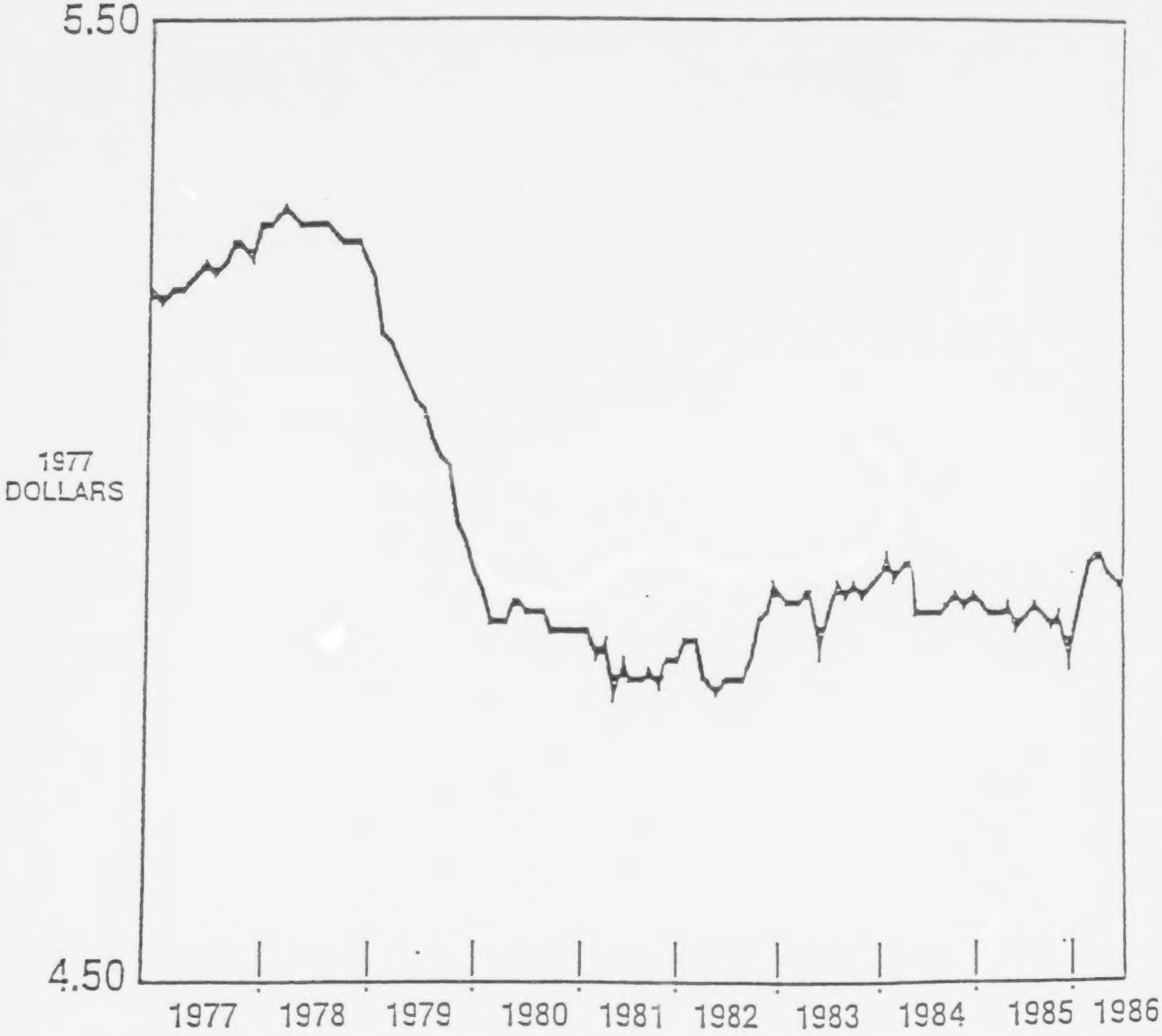
[57] McKenzie, Competing Visions.

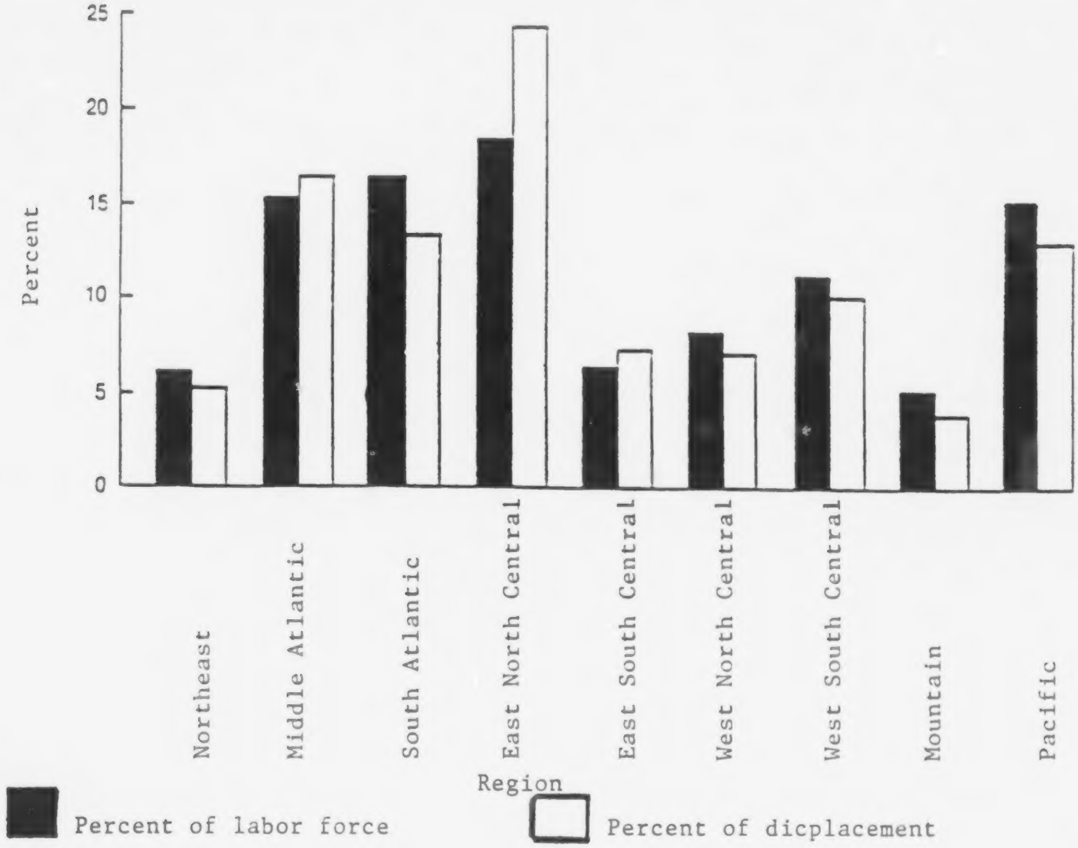
## AVERAGE HOURLY EARNINGS FOR ALL NON-AGRICULTURAL ESTABLISHMENTS, SEASONALLY ADJUSTED MONTHLY DATA, 1977 DOLLARS, 1977-1986



Source: Department of Labor, Bureau of Labor Statistics

Figure 3.6

Percentage of Labor Force and percentage of displaced workers, by region 1984



SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, unpublished data; and U.S. Department of Labor, Bureau of labor Statistics, Employment and Earnings, various issues.

their share of displaced workers. These all had heavy concentrations of lower-skilled minority workers.

A third challenge to the connection between declining trade and the growth of low-income jobs is the assertion that changing demographics are the cause. One researcher finds that almost all growth of low-earnings employment took place among young workers, contending that the labor market entry of large numbers of young workers with little experience has driven wages down and has shifted the overall distribution of jobs to the low end.[58] These young, mostly male workers, it is asserted, account for the entire rise in low-paid work. Workers under 35 years did indeed account for 58 percent of the 1979 to 1984 increase in low-annual-income jobs, while only making up 32 percent of the increase in all jobs.[59] But these effects are not due to the inexperience of these workers: "the increase in inequality turns out to be just as large as the one actually observed" when calculated using 1982 earnings for each age group and the 1967 age distribution.[60] Furthermore,

> the decrease in average earnings is not attributable to the increasing fraction of young workers but to a significant decline in the earnings of young workers (both in absolute terms and compared to older workers) from 1967 levels, and even from 1979 levels.[61]

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[58] Lawrence, Can America Compete.

[59] Thurow, "Inequality;" Bluestone and Harrison, Deindustrialization.

[60] Thurow, "Inequality," p. 33, cited in Loveman and Tilly, "Good Jobs or Bad Jobs."

[61] Loveman and Tilly, "Good Jobs or Bad Jobs," p. 61.

Stated more directly, the entry job is now a "bad job" that pays less and offers fewer options and opportunities for the worker. In addition, in the Black and Latino communities there is almost no service employment for males. The consequence is obvious. No honest, well-paid, male work: disintegrating families, alcoholism, crime, and disillusionment with the society. In many respects, the growth of the service sector is a consequence not so much of a decline as of a changed industrial production.[62] The connection between services and the goods-producing sector means that the growth of services represents a fundamental transformation in the way production occurs. "Indirect" labor increases while "hands-on" labor decreases; a more complex industrial society emerges instead of a post-industrial one. Those who work with their hands and backs are not only disadvantaged, they are positively discrimated against.[63]

## Financial Restructuring at Home: Instability and Speculation

The volumes of stocks and futures traded have increased four-fold since 1977. The use of debt to finance mergers and acquisitions, the creation of junk bonds in the early 1980s, and the increase in mutual funds all attest to the aggressive competition to make profits, even if only on paper. Between 1983 and 1986, approximately 12,200 companies changed hands. In 1986, mergers, acquisitions, and takeovers amounted to nearly one-fifth of the market value of all traded stock.[64] By the mid-1970s,

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[62] The growth of services is often attributed to (1) the natural evolution of an advanced country, or (2) increased demand for services by dual-earner families and working singles with less time or more discretionary income. The first approach, the post-industrial view, assumes that services can continue to grow within the United States even without industrial production. See Walker, Geographical Organization, and Cohen and Zysman, Manufacturing Matters, for a critique of this assumption. The second perspective is critiqued by Harrison and Bluestone, U-turn, pp. 74.

[63] Storper and Walker, Capitalist Imperative.

> the return on nonfinancial assets had fallen so low in the 'mature' industrial sectors--such as steel, auto, machine tool, apparel, and textiles--that the financial officers who came to dominate the firms in these industries chose to divert their available cash to activities other than manufacturing.[65]

Hostile takeovers have costs in other ways. Many corporate raids are initiated to produce profits without any intention of taking over the firm or even restructuring. Yet these transactions, and the "greenmail" money paid to hostile corporate raiders to forestall the takeover, result in reduced funds to reinvest into productive capacity, the so-called "hollowing" of the American corporation. Many corporate leaders are also troubled by this trend.

> Corporate managers are so busy trying to preserve themselves that the entire focus of business has turned to short-term payoffs. They're too busy fighting Wall Street to fight Japan. How can anyone concentrate on doing what is needed for long-term competitiveness--spending for plant and equipment, R&D, and job training--when they're so busy battling for survival.[66]

The emphasis on short-term profits means laying off workers, sacrificing research or capital investment, and selling off assets to build a profit rather than investing in new products. These changes have dramatic implications for the American standard-of-living and income inequality. The acquisitions, takeovers, and mergers weed out some unproductive firms to insure economic efficiency, but they also do damage. In 1986, for example, Borg Warner, Goodyear, Holiday, and Potlatch were all targets of corporate raids despite reasonable market performance. In order to pay off junk-bonds, otherwise profitable plants are sold and workers lose jobs. Fears of takeovers also prompt corporate restructuring: Union Carbide Corporation, following an unsuccessful raid, doubled its debt (to $5.5 billion), sold several profitable businesses, and cut 20 percent from its U.S. payroll.[67] Similarly, Goodyear and USX have undergone corporate restructuring, including the sale of assets, plant closures, and employee dismissals, to improve stock performance and ward off future takeover attempts.

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[64] Dobrzynski and Bieger, "For Better or for Worse?" p. 38, cited in Harrison and Bluestone, U-Turn, p. 59.

[65] Harrison and Bluestone, U-Turn, p. 54.

[66] Business Week, Nov. 24, 1986, p. 86.

> *Every day we open the door we spend*
> *$2 million for interest.*
> *Think what that would have done for the U.S. if*
> *it had been put into*
> *job creation.*
> *"*
>
> *Fred Hartley,*
> *chairman of Unical Corporation,*
> *which acquired a $4 billion debt*
> *to forestall a takeover;*
> *Business Week, Nov. 24, 1986,*
> *p. 86.*

The trend towards financial manipulations involves a parallel rise in the number of services required to conduct business and the occupational implications of sectoral shift. It has meant a decline in productive investments and in manufacturing employment. It has further caused increasing instability, as suggested by the fate of Continental Illinois Bank, the recent troubles of the saving and loans, and the fears of corporate executives.

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[67] Business Week, Nov. 24, 1986, pp. 93-94.

## Government Intervention: Aiding and Echoing Corporate Restructuring

Federal tax laws favor restructuring and speculative strategies, the very strategies which are resulting in decreased productive investment, increased risk of financial collapse, and employee layoffs. Corporations can make money by closing plants, writing-off the estimated value of shutdown plants against profits made in other units of the corporation. Union Carbide earned $620 million in tax savings by closing chemical plants. United Technologies received $424 million for closing down its computer-equipment subsidiary. For halting domestic production of some aircraft components, TRW was able to write off $142 million in tax liabilities.[68] Each of these transactions had enormous consequences on the work force and in the nation. Other companies have used these tactics to reduce their workers and to stall unionization or collective action by workers.

Government tax laws also assist corporations and traders to shift from productive investments to quick paper profits by taxing debt less than equity. Acquiring debt to finance takeovers, stock buy-backs, or paying "greenmail" is a less expensive form of financing than equity since, under current tax laws, interest costs are deductible and dividend payments are not.[69]

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[68] "Industry Cleans House," Business Week, p. 33. Cited in Harrison and Bluestone, U-Turn, p. 55.

Federal policies have also promoted restructuring by heightening competitive pressures on firms operating in the U.S. Industries that have been deregulated include communications, banking, insurance, stock-market transactions, and airlines in the 1970s and trucking, railroads, oil, cable television, intercity buses, and AT&T in the 1980s. As a consequence of deregulations, firms have changed product lines, markets, production organization, and production techniques. In the insurance and banking industries, for example, deregulation resulted in increased diffusion of new technologies. In these industries, it is clear that the rush to introduce information technologies was driven by the extremely competitive environment into which they were suddenly thrust.

Deregulation of these industries also changed the economics of doing business in various market segments--reducing the profitability of the mass market and standardized product offerings. This drove firms upmarket to corporate and wealthy consumers, and it led firms into serious market segmentation strategies. For instance, high-priced products such as so-called personal banking are delivered in posh surroundings by highly skilled labor. Low-end "financial" products, in contrast, are produced and delivered by computers and automatic teller machines. Only with the last competitive wave of 1988 have banks again focused on winning low-end customers through personal services. Government has also privatized public services, sometimes at high social cost, and it has reduced benefits to its workforce, not only by letting pay raises lag behind inflation, but by relegating many jobs to "temporary" status and special contracts, without full benefits.

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[69] "Deal Mania," Business Week, Nov. 24, 1986.

## SEGMENTING LABOR TO PAY FOR BAD MANAGEMENT

As we have observed earlier, what has emerged is a bifurcated labor force: a two-tiered wage structure with many workers poorly paid in unstable, dead-end jobs while others (fewer) are employed in jobs with either stability, opportunities for upward mobility or high pay. And of course the bifurcation is layered on top of racism and sexism that freeze out minorities and women sometimes even from the less-desirable jobs. We will see below (in Chapter Four) how these cleavages are arranged by neighborhood and city zone. Indeed, the discrimination that plays such a large part in housing markets is often matched in urban labor markets.

We turn now to look directly at jobs and how they are allocated. Labor markets have always been broken up into categories that are discriminatory, on the basis of race, gender, and other characteristics. In line with changes in the global economy and the U.S. adaptation, we find that new kinds of labor segmentation are emerging, including deepened divisions by race and gender. The automation of white-collar industry may allow resegregation up and down the occupational hierarchy, with women and minorities once again restricted from access to top- and middle-management positions.[70]

Public austerity in particular, and privatization, the sale of public assets or rights, and the growing use of non-union subcontractors

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[70] Baran, "Technological Innovation and Deregulation."

for government work, have similarly resulted in new forms of labor segmentation and increased competition among workers.[71] The use of non-union labor, with lower wages, benefits, and security, undermines civil-service wage standards. This creates two distinct labor markets within the public sector, a realm of employment in which minorities and women had in the past achieved substantial gains. Privatization has fostered competition by the selling off of public enterprises. The government has even sold off profitable public facilities. For example, in 1987, the government sold Conrail, the leading firm in freight transport, despite continuous profits since 1981.

In general, privatization and deregulation have resulted in fewer efficiencies than expected, with much greater social costs; in products that are less safe, of lower quality, and less available; and, of most consequence for our study, the changes have resulted in fewer employment opportunities for the socially disadvantaged. The recent crisis of the savings and loans, as well as the experience of airlines and intercity buses in the last decade, suggests that deregulation and privatization, after a short period of intensified competition, may ultimately reduce competition; as fewer firms survive price wars, and as takeovers, mergers, and acquisitions rise, the concentration of ownership in these industries increases. Service provision also falls as firms cut costs wherever possible. In commercial airlines, this has meant an increase in flight delays and cancellations, lost baggage, and reported nearcollisions.[72] In privatized industries, it has meant increased costs for and decreased access to services commonly thought to be public.

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[71] Harrison and Bluestone, U-Turn.

### The Attack on Labor: New Patterns of Work

Corporations have pursued four strategies to counter the declining profits that have resulted from increasing competition: reducing the number of workers on the payroll; increasing their financial profits through speculation and investments; increasing pressure on governments to support the restructuring of industry through more favorable monetary, fiscal, and regulatory policies; and reorganizing production to create new terms of employment. These last two strategies are less well studied than job displacement and financial speculation. They are, nevertheless, particularly important to the geography of U.S. poverty, since emerging patterns of work tend to move labor disputes outside the traditional range of union activities.

In addition to the relocation of plants to non-union areas, corporations have benefitted from the government's reluctance and even refusal to enforce social legislation designed to protect workers. The 1980s have seen such federal anti-union activities as President Reagan's dismissal of the air controllers and the destruction of their union, PATCO; the reversal of earlier pro-labor findings by new appointees to the National Labor Relations Board (NLRB), that restricted industrial organizing; and a five-year lag in NLRB action on complaints by unions that managers had used unfair labor practices, despite increased complaints registered with the Board.

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[72] Harrison and Bluestone, U-Turn, p. 160.

Individual firms increase their flexibility to respond to intense competition by engaging in new patterns of work. Patterns differ among manufacturing oligopolies whose operations are capital-intensive, oligopolies that are labor-intensive, and service firms that are competitive. In each industry type, firms have worked out special strategies to increase what has come to be called labor flexibility.[73] This flexibility reduces the opportunity structure for the worker, while increasing the options for the firm.

Capital-intensive oligopolies, generally large manufacturing firms with extensive work sites, are creating a small core of full-time workers and a larger set of part-time employees and subcontractors. The full-time workers are covered by benefit plans, offered job security, and expected to remain with the firm. Part-time workers receive lower wages and few benefits, if any. Similarly, the firm has no responsibility for workers employed by subcontractors and therefore need provide neither prevailing wages and benefits nor secure terms of employment. Union concessions regarding two-tiered wage scales reflect this corporate strategy and structure.

Labor-intensive oligopolies tend to be large firms with small work sites and they lend to operate primarily in sales, health care, and finance. Many of these industries, such as banking, insurance, and health care, have been recently deregulated or subject to changing federal regulations (e.g., in the case of federal medical payment policies) which have forced them to become more cost-conscious. Like the capital-intensive firms, these companies create a bifurcated labor force. There is a core of full-time workers, often restricted by direct or institutional discrimination against minorities and women,[74] providing the base for essential activities. Other workers "constitute an ever-changing ring" of part-time employees, with perhaps one-third of the workers in a firm hired on a part-time basis. Wages polarize along similar lines.

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[73] Christopherson, "Emerging Patterns." The discussion of oligopolies, competitive firms, and part-time work derives from Christopherson's work.

Among competitive service firms, there are two clear strategies for increasing flexibility through employment patterns. These firms are usually small, producing specialized goods or services. Some require highly skilled labor and offer services on short-term contracts--industries such as publishing, advertising, and entertainment. These industries increase flexibility through well-paid independent contractors, sometimes called consultants, who can provide the needed service or technical skill. In low-skill, competitive industries, flexibility is sought through the intensification of labor. Thus, in apparel and textiles, work is conducted in the homes of the employees and in sweatshops, with piecework wage rates. Even in clerical work, home-based employment has expanded; there were between five and ten thousand home-based clerical workers in the early 1980s.[75]

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[74] See Baran, "Technological Innovation and Deregulation," and Nelson, "Suburbanization," for discussions of how social characteristic of the potential labor force influences hiring practices and locational decisions.

[75] Christopherson, "Emerging Patterns."

These strategies have heightened the flexibility of businesses. They allow firms to easily reduce labor costs, for example, during short-term downturns in demand--but at the cost of increased unemployment and poverty. Instead of full-time, full-year work, then, an increasing number of jobs are part-time, temporary, or self-employed, "contracted." Patterns of work and distribution of working time are also becoming polarized.[76] Instead of the traditional 40-hour work week, both longer and shorter work weeks are becoming more common, this bifurcation being another employment strategy firms use to increase flexibility, reduce fixed costs, and improve profits. This strategy has resulted in the expansion of the new group of poor that figure so prominently in the statistics of Chapter Two--underemployed workers.[77]

Part-time jobs account for one-sixth of all jobs and are growing faster than full-time jobs. Since 1980, one-quarter of the 10 million jobs created have been part-time. Part-time work is divided between two groups--those who choose to work part-time and those who cannot obtain full-time work. Of the more than 19 million part-time workers, at least 5.6 million want to work more.[78] To these should be added the many workers classified as voluntary part-time employees who, due to childcare or transport costs, cannot afford to work full-time. Of those workers with such outside obligations (childcare, education, etc.), 60 percent are married women over 25 years of age.

Although part-time work has increased slowly as percent of total work (from 16 percent in the 1950s to 19 percent now), as the ratio of involuntary to voluntary part-time workers has increased, part-time work overall (which can be measured) has become more sensitive to business cycles. Historically, voluntary part-time employment has increased with total employment growth and has been concentrated in non-durable-goods manufacturing and services. The involuntary part-time labor force--those who would prefer full-time jobs--is growing faster than the voluntary force. Reflecting the decreasing demand for labor, most involuntary part-time work is in manufacturing. Over half the part-time workers in manufacturing want full-time work, compared to only 25 percent in the service sector.

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[76] Appelbaum, "Restructuring Work."
[77] Christopherson, "Emerging Patterns."
[78] Christopherson, "Emerging Patterns," p. 11.

Temporary work is also expanding rapidly. Some three million people work at "temporary" positions, engaged in work which can last weeks, months, or years. In 1985, 944,000 "temps" were employed, and a projected growth of 6 percent to 1995 indicates a restructuring of the labor force, using a permanent temporary force for certain jobs. Of temporary workers, 64 percent are female, with one-third between 16 and 24 years of age. In January 1985, the Office of Management and Budget issued a circular permitting the employment of so-called temporary workers by the federal government; these workers could be hired for up to four years without benefits (except Social Security). The Federal government currently employs over 300,000 temporary workers in the executive branch alone. In this respect, the deficit, fueled by military spending and trade deficits, and forcing austerity, has a direct effect on the living standards and impoverishment of particular people.

Self-employed, independent contractors have also been increasing in the labor force since 1970. From 1950 to 1970, there was a steady decrease in the number of self-employed, a drop led by reductions in small retail operations. Reasons for self-employment vary from personal to structural. Among structural causes for increased proportions of self-employed in the labor force are the deregulation of manufacturing, transportation, and service industries. For example, with deregulation, many previously unionized drivers were forced to become independent, self-employed truckers. Salaries also vary widely; in aggregate, self-employed women made less than half as much as men, averaging $7,900 per year as compared to $17,000 per year for self-employed men.

Under-employment rates reflect much more than the growth of part-time work. Among all workers, part-time work was only a minor cause of below-poverty-level earning as compared to intermittent or low-wage work. Ignoring for the moment the long-term unemployed and those out of the labor market altogether, among the employed population it is thus displaced workers, temporary workers, and full-time, full-year, low-wage earners who fall most often into poverty. Some of these groups are temporary or self-employed workers, but the groups are not co-terminous and comparisons are thus difficult. There are few studies of annual earnings, distribution of working hours, job benefits, and job security of these new forms of employment. The conditions of employment of these workers, especially involuntary part-time and temporary workers, make them likely targets for poverty.

## CONCLUSIONS

Global economic reordering and intense competition have been followed by industrial change, the shift to the service sector, and a focus on paper profits. Public policy has aimed vaguely to keep America competitive internationally, and in doing so it has simultaneously neglected the needs of manufacturing and shifted the burden of change to poorly-paid employees, those without employment, and ordinary citizens.

This does not mean that the answer to the problems of unemployment and poorly paid jobs is simply the return to mass manufacturing. Even where reinvestment in manufacturing has revived, and where re-industrialization has occurred, the jobs are more polarized than before.[79] Co-existing with high-wage craftwork are highly competitive, poorly paid and regulated occupations, and increasing numbers of part-time, temporary, or subcontracted jobs.

Domestic policies designed to stimulate jobs without taking these changes into account are extremely difficult to formulate; those we have are almost naive, given the changing economic circumstances. Policies that emphasize trade retaliation will provide only marginal benefits for the poor. Moreover, programs that aim at improving the position of capital through tax initiatives, de-regulation, and similar tools, will not build more or better jobs but will destroy the job ladders the poor could use to escape their circumstances.

Federal policy remains mired in the past. Supply-side excesses have exacerbated the problems of the poor by freeing business to seek higher returns by destroying jobs, consolidating enterprises, and making profits on currency and tax loopholes rather than by encouraging business to concentrate on the development of productive wealth. As a result, people have been sacrificed for short-term capital gains. In the long run, this set of overt and unstated policies and practices denude human capital and degenerate conditions so as to guarantee the extreme poverty of a third-world nation at home.

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[79] Sassen, Mobility, Labor, Capital.

# CHAPTER 4--POVERTY AND THE CHANGING SHAPE OF AMERICAN CITIES

The decline in manufacturing in old cities, the shift of new jobs to the suburbs in those cities and many others, and the sharp segregation of people of color into crowded but isolated central city neighborhoods have taken a heavy toll. The small suburban movement of middle-class Blacks and Latinos should not be allowed to mask the alienation of those left behind. As labor markets have become more demanding, fewer jobs have been made available for unskilled men and women, and as the industrial structure has shifted to services and occupational structures have bifurcated, possibilities for promotion to better jobs and higher wages have diminished.

As we shall see in Chapter Five, city job losses and suburban growth not only leave urban economies stranded, but they leave public services without sufficient tax support, so that cities and their suburbs are driven further and further apart. Government jobs, one of the last redoubts for minority employment, have been cut and downgraded. A cycle of ever-worsening economic and public service conditions for minority city residents seems to have set in.

Racial segregation has always been a dominant characteristic in American cities. In the last 20 years or so it has become more, not less pronounced. With the exception of a few neighborhoods in a few cities, the vast proportion of all social and economic interaction takes place only among whites, or among people of color, but without any crossing of racial lines. There are similar but less pronounced separations of Latinos and Asians. There is an aura of real fear that segments metropolitan lives. White adults travel by train or private auto, via "honky tubes," from city offices to suburban residences. White suburban teenagers don't often visit the city; Black city kids rarely venture into the suburbs, or even into unfamiliar parts of the city. Grafted on top of historical circumstances, economic differences, and ethnic affinities, the old plagues of ignorance and racism play a big part.

Prospects for improvement in the economies of cities, in minority job networks, and in residential arrangements of metropolitan areas are not good. Recent trajectories, if followed, will lead to continued worsening of the situation for minority persons, for central-cities, and especially for those who live in high poverty neighborhoods.

There are three main themes that weave their way throughout this chapter: a new set of industrial relations and specializations has formed among American cities, so that the segmentation of urban labor markets and the separation of neighborhoods are tied together. Racism with respect to employment is manifest in the new occupational segregation, placing African-Americans and Latino-Americans in entirely different labor markets. Industry, neighborhood, and race relations have evolved with a marked effect on urban poverty.

In the first section of the chapter, we deal with changes in the location of industry. Great economic disparities have grown among different sections of the country, especially as the national pattern of industrial growth has shifted away from heavy manufacturing, causing relocation of factories, offices, and other economic activity. A new pattern of city hierarchies now exists. The painful dislocations have been particularly severe in places with heavy minority populations.

Concentrated poverty has increased. Here we can see quite clearly the spatial playing out of the global and national industrial changes discussed in Chapter Three.

At the metropolitan level, as we will see in the second and third sections, the process of suburbanization takes center stage, even when the focus is on industrial and economic change. Businesses have suburbanized over many years, anticipating their need to absorb the effects of globalization. Various kinds of firms have shifted--above all, dropping out of central cities and relocating jobs to the suburbs. In doing so, they have undermined urban economies, unfairly distorted tax burdens, and forced a widening of inequalities.

Residential changes are equally visible, of course, with social classes and racial and ethnic groups sharply separated, especially between city and suburb. Often benefitting from very sizeable tax and public-expenditure subsidies, suburban expansion has constructed racially segregated and highly isolated communities that greatly restrict economic and social interaction. These results are changes that have facilitated the isolation of minority and immigrant labor pools, heightened the decline of poverty neighborhoods, and segmented the labor force, restricting minority and poor residents of the central city to the worst and most limited jobs.

In sections four and five we undertake more detailed examinations of the relationships among place of work, place of residence, and race of the worker.

## CHANGING REGIONAL ECONOMIES: CITY SYSTEMS AND ADVANCED SERVICES

The aggregate rate of decline (or growth) in any city depends of course on bits of luck, structure, and history. Places with a healthy portion of booming industry do relatively well; places dominated by firms in declining industries do not. Cities with ancient streets, bridges, sewer lines, and water treatment plants may expect heavy repair costs, hence high taxes and perhaps relative disinterest from investors. Old cities with lagging industrial sectors may be hit doubly hard: steel towns in Pennsylvania or Ohio are the prototypes. These places have become economically weak and this in turn frays the social and economic fabric that holds the community together, so that incentives for new economic growth may in turn be weakened.

Manufacturing plants have moved away from the biggest cities of the old industrial heartland as part of a broad regional trend to the South, the West, and abroad. These shifts have been accompanied by the general, national decrease in need for labor in manufacturing and blue-collar occupations that was discussed in Chapter Three, along with an increase in demand for white-collar and service-sector employees. Consistent with our earlier findings, these geographic and occupational changes are in large part consequences of technological advances in manufacturing that have resulted from changes in the way corporations are organized internally to transport their goods, introduce new technologies, and provide new services.[1]

In the 1970s, scholars writing about regional response to global change focused on the rough evidence of employment and population decline in the Northeast and growth in the Southwest, known as the "frostbelt-sunbelt" or even "rustbelt-sunbelt" shift.[2] Since the mid-1970s, the decline of traditional, domestic manufacturing has meant that many cities, heavily dependent on those industries, lost a significant part of their employment base. In 1950, more than 70 percent of all manufacturing jobs were concentrated in the metropolitan areas of the Northeast and Midwest.[3] Through the 1960s and early 1970s, smaller metropolitan areas continued to maintain their manufacturing bases,[4] but between 1970 and 1985, as national industry was intensely reorganized, there was a dramatic shift in employment from the Northeast (which grew only 2.2 percent from 1970 to 1980) and North Central regions (3.1 percent) to the South (6.2 percent) and West (6.4 percent). In the Northeast, employment in manufacturing declined precipitously, by 11 percent between 1970 and 1980, as shown in Table 4.1. By now, fewer manufacturing jobs are concentrated in the original areas than in the rest of the U.S., the turning point coming in the late 1970s, as shown in Figure 4.1. The sectors with the greatest concentration of new jobs nationally are in corporate business services, distributive services,

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[1] Noyelle, "Advanced Services," pp. 143-133. See the discussion below in Chapter Five on urban fiscal crises and the "inefficiencies" of services.

[2] See essays in Sawers and Tabb, Sunbelt/Snowbelt. For a description of this shift, see Weinstein and Firestine, Regional Growth and Decline.

[3] Kasarda, "Jobs."

[4] Stanback and Noyelle, Cities in Transition, p.20-26, cited in Sassen, Mobility.

## Table 4.1

## SMSA Employment Growth Rates

Annualized Employment Growth Rates for 100 Largest SMSAs by Region, 1970–80

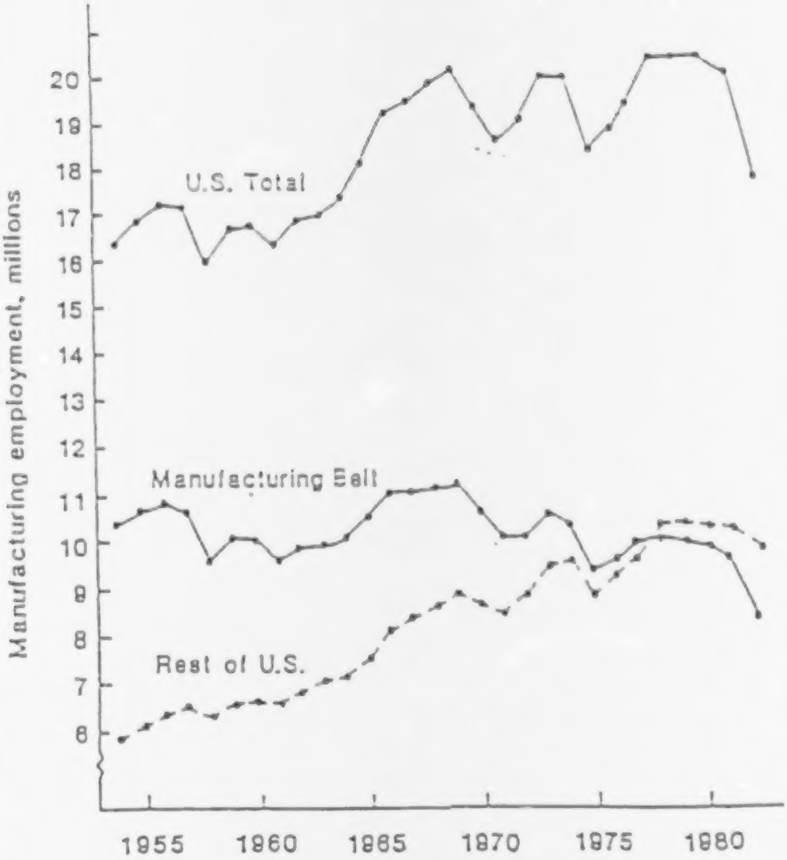
| | *Total Employment* | *Manufacturing* | *Total Services* | *Distributive Services* | *Advanced Corporate Services* | *Nonprofit Services* | *Government Services* | *Personal Services* | *Retail Trade* |
|---|---|---|---|---|---|---|---|---|---|
| Northeast | 2.21% | −0.11% | 3.42% | 3.01% | 3.30% | 5.29% | 1.64% | 1.79% | 2.76% |
| North Central | 3.13 | 0.93 | 4.28 | 3.65 | 5.35 | 5.68 | 2.17 | 1.64 | 4.29 |
| South | 6.18 | 3.44 | 7.02 | 6.82 | 10.06 | 8.53 | 4.31 | 2.55 | 7.27 |
| West | 6.38 | 5.00 | 6.79 | 6.43 | 9.54 | 7.07 | 2.88 | 4.78 | 7.29 |

Source: U.S. Dept. of Commerce, Bureau of the Census, *1970 Census of Population; Census of Population and Housing 1980: Public-Use Microdata Sample File.*

Secondary source: Sheets, p. 221

Figure 4.1

Manufacturing Employment



Manufacturing employment in the Manufacturing Belt and the rest of the United States, 1954–1981. Updated from Norton and Rees (1979, figure 1).

Secondary source: Scott, p. 11

nonprofit services, and retail trade. Government employment has grown modestly nationwide.

The boom in the South and West and the decline of the Northeast and Midwest were initially attributed to the continued filling of the frontier, to the seeking of better climate, to demographic shift to an older population, and to investment patterns by corporations or the military.[5] No matter what the cause, this economic volatility most dramatically harmed African-Americans and Latinos, since they had relatively less mobility than whites for both social and economic reasons. As a result, in the Northeast, as manufacturing jobs moved, Blacks especially were stranded in communities that had no further demand for their talents.

More recent theoretical and empirical work emphasizes how regional change is caused by the different functional roles that cities play in the international or national economic system.[6] The division of labor results in a hierarchy of cities based on levels of economic specialization, top cities dominated by higher-order administrative and coordinating functions.[7] Different city roles--that is, different positions in the urban hierarchy--mean varying degrees of economic growth[8] and varying vulnerability to recent economic changes.[9] In

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[5] Glasmeier, Markusen, and Hall, Defining High Technology; Stanback and Noyelle, Cities in Transition; Bergman, Local Economies in Transition.

[6] Mollenkopf, "Post Industrial Service City." Mollenkopf, along with such regional theorists as Stanback, Noyelle, Glickman, Feagin, and Rodriguez, builds upon classical theories of hierarchies or systems of cities.

[7] See Glickman, Cities and the IDL; Rodriguez, and Feagin, "Urban Specialization;" Stanback and Noyelle, Cities in Transition; Cohen, "The NIDL."

[8] Pred, City Systems.

[9] Noyelle, "Advanced Services," in Bergman, Local Economies in Transition.

Ithaca, NY, one can buy a Scripto Aim'n Flame disposable torch lighter made in Japan, assembled in Mexico, and distributed by a corporation headquartered in Southern California!

Top-ranked world cities, also known as "control cities" and "diversified, advanced-service centers," appear to have benefitted most from recent economic changes. These cities are highly integrated into the international network of finance and management, and in them are concentrated the control functions of multinational and national corporations,[10] apparent in Figure 4.2. Top cities have high concentrations of investment banking, corporate law, management consulting, information processing, and other advanced business services, which are increasingly important in the economy. Although they have lost large numbers of jobs in traditional manufacturing, these cities have rebuilt the foundations of their economies through the growth of advanced services. Such advanced services have grown rapidly

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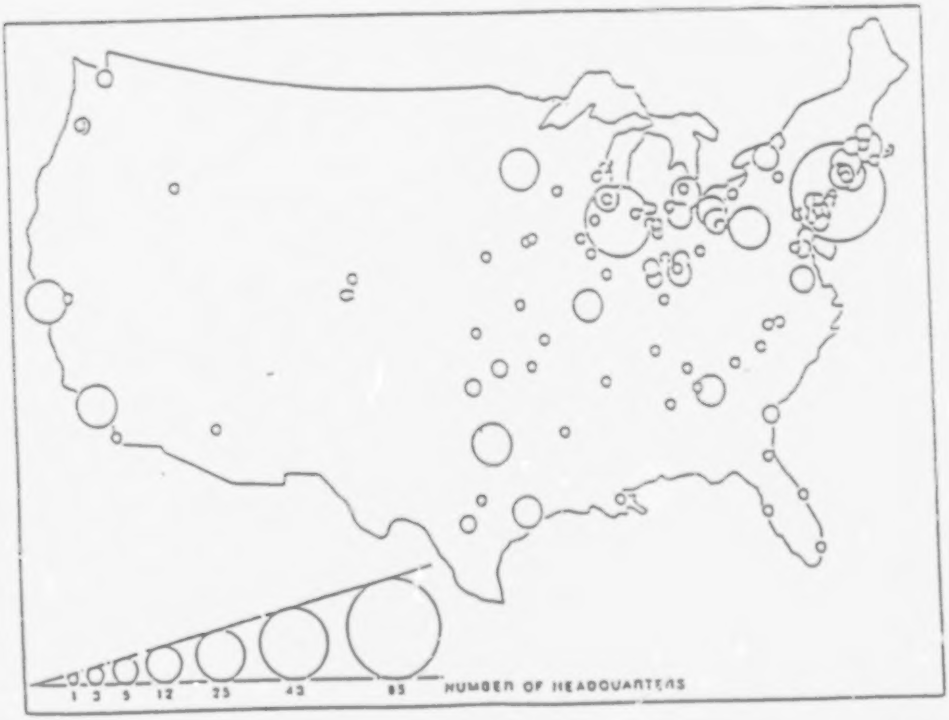
[10] The economic specialization of cities is generally determined by the mix of productive, distributive, and financial activities conducted in the city. For example, national centers, or world cities, are identified by the concentration of certain economic activities--corporate headquarters, commercial banking assets, employment in corporate, nonprofit or public sectors, and services for international operations--in these cities as compared to other cities. See also Stanback and Noyelle, Cities in Transition. The concentration of control functions in those cities well integrated into the international system contradicts earlier city systems literature, which assumed that industries and technological change filter down through the national system of cities. Instead, recent work finds that invention and innovation occur most often (although there are significant exceptions) in the larger urban areas of the most industrially mature regions. As industries age and their technologies "mature," skill requirements fall and industries are forced to relocate in lower-wage areas. The recent city system research contends that the higher a city sits in the urban hierarchy, the younger are its industries. Average growth reflects a mix of fast-growing new industries and declining shares of work. Lower-ranking cities (measured in terms of skill and wage levels) tend to have older industries and slower growth rates. See Thompson, "National System of Cities."

Figure 4.2

Corporate Headquarters in the U.S.



Headquarters locations of the 500 largest industrial companies in the United States, 1984.

SOURCE OF DATA: Fortune, *The 1984 Directory of U.S. Corporations.*

Secondary source: Scott, p. 24.

at all levels of the hierarchy. Corporate service activities give the world cities a level of control over their destiny unmatched by others, below them in the hierarchy.[11] Thus, the rise of services and the internationalization of production have converged to benefit a select few places.[12] Even direct foreign investment has benefitted those few cities in which banking, finance, and related corporate service activities are concentrated, especially the New York region, Chicago, the San Francisco Bay Area, and Los Angeles.[13]

The economies of cities based on manufacturing have been severely disrupted by international competition and corporate restructuring.[14] It is more than the faltering and decline of the industries themselves; the movement of planning, administration, and financial activities to corporate headquarters (in other, fewer cities) during the 1960s and 1970s, coupled with accelerated takeovers and mergers in the 1980s, means that manufacturing cities have "lost what little involvement they may have had in the planning, administration, or research and development functions of their industry."[15] This leaves them extremely vulnerable to shifts in market conditions, because there is little likelihood of immediate growth in other sectors as traditional manufacturing declines. Hence, the rustbelt.

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[11] Cohen, "NIDL," and Noyelle, "Advanced Services in the System of Cities."

[12] See Friedmann and Wolff, "World City Formation;" Cohen, "NIDL;" and Stanback and Noyelle, Cities in Transition. According to Stanback and Noyelle, there are only four national nodal cities in the United States--New York, Los Angeles, San Francisco, and Chicago.

[13] Noyelle, "Advanced Services."

[14] Some production centers, especially those industrial-military places such as San Diego and San Antonio with their continued military funding, have benefitted from America's present position towards international pressures. U.S. military contracts and activities within the U.S. have countered potential regional decline (as in the above cases) and provided the basis for future growth in many U.S. cities. See Glasmeier, Markusen, and Hall, Defining High Technology Industries, and Markusen, The Rise of the Gunbelt.

[15] Noyelle, "Advanced Services," p. 156.

At the extreme, the cities most subject to be hurt by economic change are those with narrow economic bases in either advanced services or production. These cities are highly specialized, each in a particular complex of industries, such as Detroit in automobiles, Rochester in scientific and office equipment, Akron in tires, and even San Jose in electronics.[16] Even some cities with large numbers of national corporate headquarters and divisional head offices, such as Cleveland, have barely managed to offset production jobs losses with new employment in advanced services or corporate offices.[17]

The rise of some cities as opposed to others is also attributed by some writers to what is called the "business climate" provided by local governments and community groups. Some cities that are perceived by business leaders to have anti-growth climates--high taxes, strict site regulations, and strong labor unions, for example--are avoided.[18] The recent movement of firms back to the Northeast (previously with very strong unions and high taxes) can be seen as the result of a process of rearrangement of the local political environment, include a weakening of pro-labor and pro-neighborhood institutions.[19]

Likewise, industry in the 1970s preferred Southern and Western cities because labor was weak there. Southern and Western states offer a labor force inhibited by Right-to-Work legislation, which helps firms avoid unionization of new industrial plants and service industries.[20] Additionally, the presence of large immigrant and minority populations, often weakly attached to local politics, may have further weakened the opportunities for labor organization.

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[16] But note that San Jose is part of the San Francisco metropolis.

[17] Goldsmith, "Poverty and Profit;" Stanback and Noyelle, Cities in Transition.

[18] Goodman, "Last Entreprenuers."

[19] Harrison, "Regional Restructuring."

> *It's very hard to find a Southern city that's not doing well, . . . . [Population and industry] trends that have accelerated since the early 1970s have brought much of the nation's urban prosperity to the South. . . . While smokestack industries have been declining in the Northeast and Middle West, manufacturers have been drawn to the South by the area's relatively low wages and antiunion attitudes.*
>
> *Edward Bergman, University of North Carolina, quoted in "The South Has Its Second Cities, and They Thrive," New York Times, April 23, 1989.*

Regional economic growth and decline are reflected in unemployment and underemployment.[21] For example, overall underemployment rates range from almost 16 percent for North Central metropolitan areas to over 20 percent in the metropolitan areas of the South. However, the composition of underemployment varies among the four regions, reflecting regional variations in the economic base. In the industrial Northeast and North Central regions, metropolitan areas had lower levels of structural underemployment than in the South and West. Most variance is in regional intermittent employment, higher in the South and West. The South also has a high level of full-time, full-year employed workers whose wages earn them less than the poverty-level. The boom-time of the South may be good for business, but it is hard on workers.

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[20] Mollenkopf, "Post Industrial Service City."

[21] Structural underemployment, as defined by Sheets, refers to the inability of labor-force participants to earn above-poverty-level wages and salaries through their labor market activity over the previous year. Sheets, Service Industries, p. 56.

## Uneven City Job Opportunities

Changes in the composition of jobs directly affect the opportunities open to city residents. New types of jobs and the decline of traditional industrial employment have caused dramatic shifts in occupational categories, wages and benefits, and promotional ladders. Mixed with segmentation of the labor market by race, gender, and age, these shifts lead to marked changes in the structures of opportunity and disadvantage that operate locally and affect the everyday experience of city dwellers. Two trends--the shift from manufacturing to service jobs and the disappearance of middle-income jobs--have expanded the structures of disadvantage rather than opportunities. With the growth of part-time and temporary work and the deepening segmentation of labor markets, jobs alone are no longer enough to avoid poverty.

## Manufacturing versus Service Jobs

The relative decline of manufacturing and rise of services have dramatically worsened the opportunities available to both blue-collar and white-collar workers. Manufacturing work is generally more secure and better paid than comparable work in service industries, and various occupations offer fairly similar wages. Moreover, manufacturing industries have traditionally had internal labor markets, with upper-level jobs generally filled by current employees moving up in the firm. Once employed, even in an unskilled, "entry-level" job, a worker had good opportunities for promotion and raises. Foremen were recruited on the assembly line. Service industries, in contrast, have more bifurcated occupational distributions, with many barriers between low-wage, low-skill jobs at the bottom, and high-paid, professional, and managerial jobs at the top. Internal labor markets and promotional ladders are uncommon. Bus boys do not become assistant managers.

Thus we find that the distributions of occupations in the two sectors differ greatly. As Figures 4.3 and 4.4 portray, manufacturing workers are heavily concentrated in one middle-income occupational category, operations and maintenance. This is a result of many years of successful negotiations, strikes, and related union struggles in the most highly developed sector of the economy. Service occupations are more widely distributed, more heavily concentrated in lower-paying jobs.

These different occupational distributions of manufacturing and services generate different patterns of income inequality. The growth of manufacturing employment, with reduced inequality in earnings for men helped to decrease family income inequality in the 1950s, 1960s, and 1970s. Cities with higher proportions of manufacturing jobs had reduced levels of both male and family income inequality.[22] One explanation for the severe inequalities and the worsening distributions noted in Chapter Two is that the concentration of service-sector employment in two highly separated wage groups--well-paid and poorly-paid--results directly in a bifurcated earnings pattern and more inequality.[23] Additionally,

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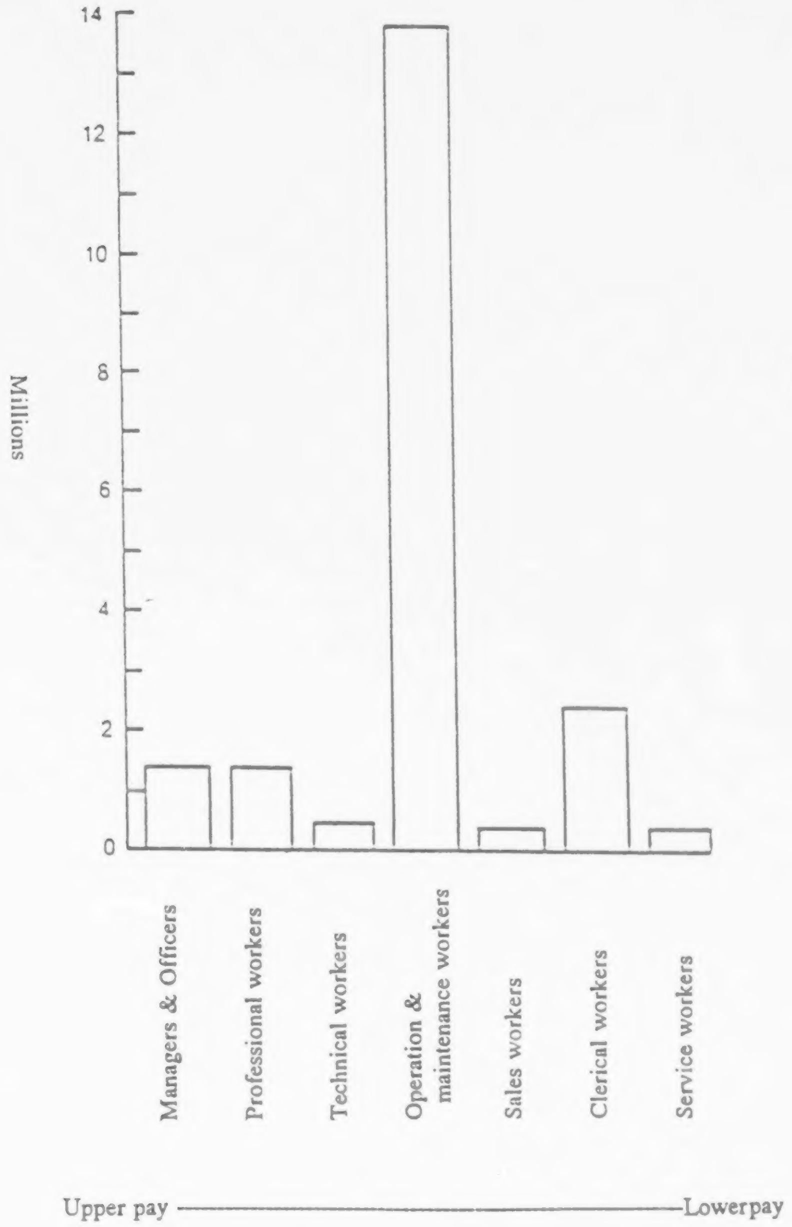
[22] Burns, "Urban Income Distribution;" Danziger, "Determinants... family income;" Garofalo and Fogarty, "Hierarchy-Inequality Hypothesis;" Haworth, "Income distribution, city size, and urban growth;" Hirch, "Reexamination."

[23] Stanback, Understanding the Service Economy; Harrison and Bluestone, U-Turn.

Figure 4.3

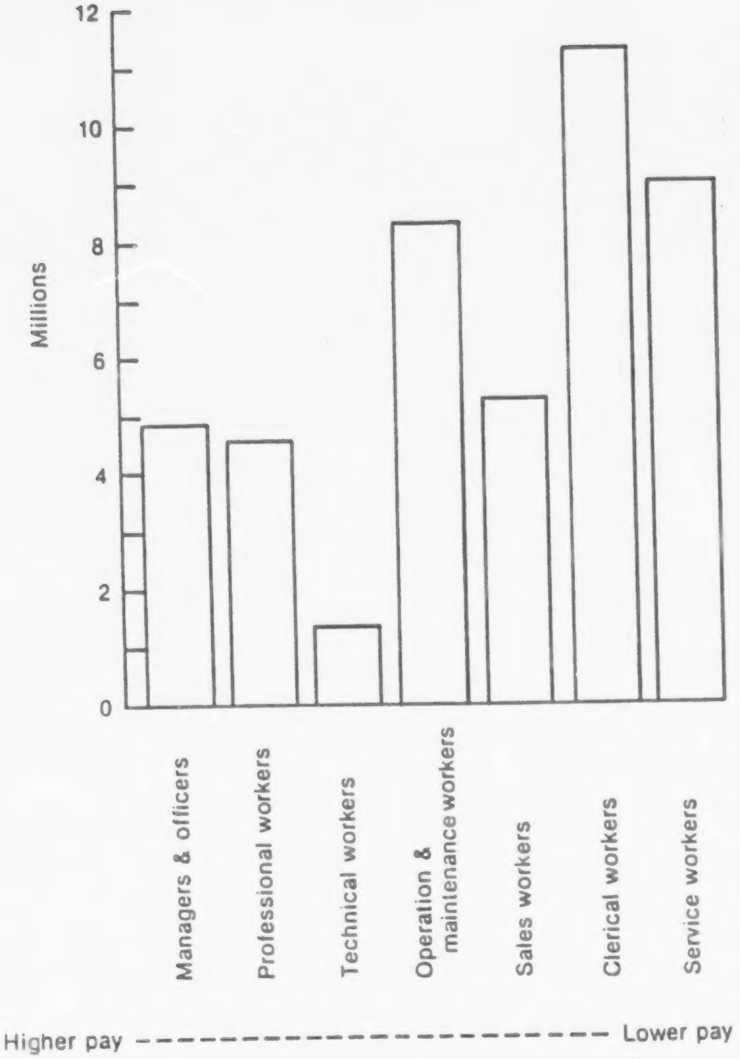
Manufacturing Occupational Distribution



SOURCES: U.S. Department of Labor, Occupational Employment in Mining, Construction, Finance and Services (Washington, D.C.: U.S. Government Printing Office, February 1984); U.S. Department of Labor, Occupational Employment in Manufacturing Industries (Washington, D.C.: U.S. Government Printing Office, September 1982); U.S. Department of Labor, Occupational Employment in Transportation, Communications, Utilities, and Trade (Washington, D.C.: U.S. Government Printing Office, December 1984); Earl F. Mellor, "Weekly Earnings in 1983: A Look at More Than 200 Occupations." Monthly Labor Review, January 1985.

Figure 4.4

U.S. Occupational Distribution in Services



SOURCES: U.S. Department of Labor, *Occupational Employment in Mining, Construction, Finance, and Services* (Washington, DC: U.S. Government Printing Office, February 1984); U.S. Department of Labor, *Occupational Employment in Manufacturing Industries* (Washington, DC: U.S. Government Printing Office, September 1982); U.S. Department of Labor, *Occupational Employment in Transportation, Communications, Utilities, and Trade* (Washington, DC: U.S. Government Printing Office, December 1984); Earl F. Mellor, "Weekly Earnings in 1983: A Look at More Than 200 Occupations," *Monthly Labor Review*, January 1985.

growing polarization within manufacturing, resulting from such changes as the down-grading of manufacturing and the development of two-tier wage systems, also contributes to growing inequality.[24]

Employment growth has thus been concentrated in low-wage occupations. As we also saw in Chapter Two, there are several components; year-round, full-year positions; female; part-time; and temporary workers. Figure 4.5 portrays the rising proportions of low-wage earners since 1979.

Recent growth and projections of future employment suggest that the trends toward increased inequality of pay and growing numbers of low-wage jobs will continue. Manufacturing has steadily decreased its share of total employment, while the share of service-sector employment has risen. In the 1960s, manufacturing accounted for nearly one-third of total metropolitan employment, but by the late 1970s it employed hardly one-fifth of workers in large urban areas. Finance, insurance, and real estate, retailing, and construction became relatively more important to the economic base of large metropolitan areas, as shown on Figure 4.6.

Likewise, the Bureau of Labor Statistics estimates that from 1984 to 1995 demand will increase for cashiers, registered nurses, janitors, truck drivers, waitresses and waiters, wholesale trade salespersons, nursing aides and orderlies, retail sales personnel, accountants and auditors, and kindergarten and elementary teachers. In this group, only

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[24] The U.S. Supreme Court decision allowing a fish-packing plant to continue its plantation-like separation of low-paid Alaskan and Filipino workers from well-paid whites reminds us that not all manufacturing operations have accessible promotion ladders. New York Times, June 6, 1989.

Figure 4.5

U.S. Low Wage and Part-Time Employment as a Percentage of Full Time Employment

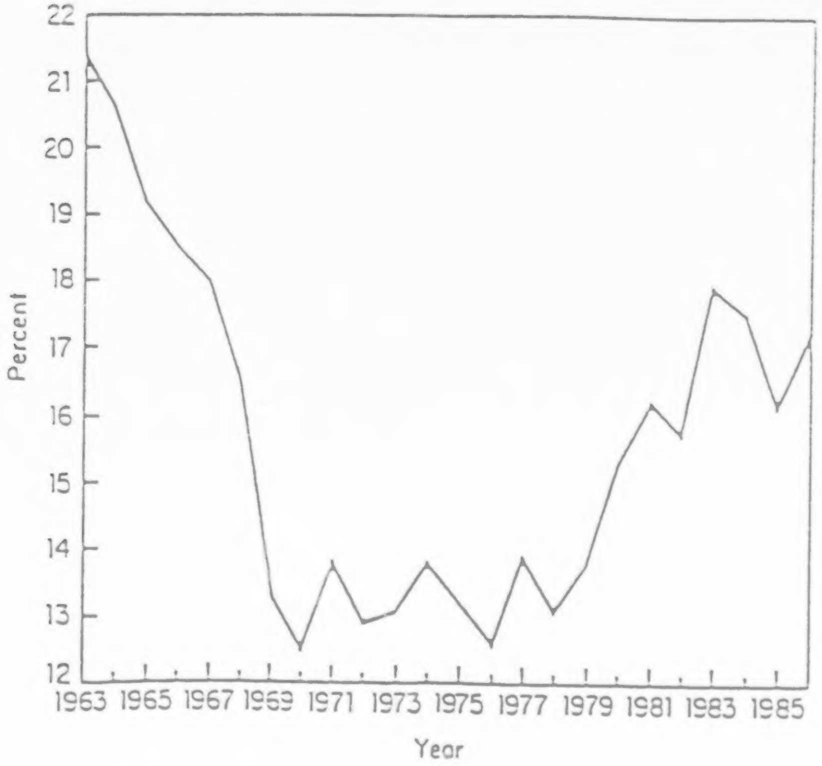
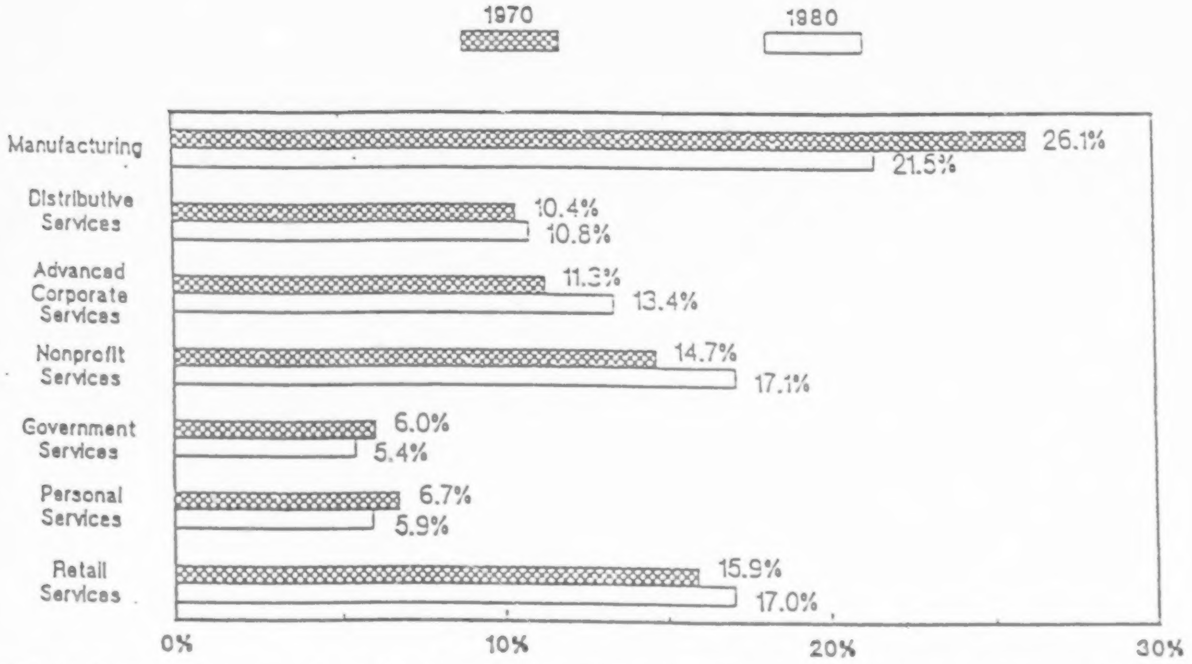


Figure 4.6

Industry Share of total Employment in the Largest Metropolitan Areas, 1970, 1980



***Source:*** U.S. Department of Commerce, Bureau of the Census, *1/100 Census of Population and Housing, 1980: Public-Use MicrodataSample File, 1983.*
***Note:*** These industries comprise only 91.1% of total employment in each year. The residual is composed of employment in agriculture, mining, and construction.

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registered nurses, wholesale clerks, and accountants earned more than the average weekly wage of $344 in 1984[25].

## Geographic Variations in Inequality and Low-Wage Job Growth

Increased income inequality and low-wage job growth are pronounced in the Northeastern and North Central states and in most of the largest cities of the country. In the Northeast and North Central states, recent employment growth been almost exclusively low-wage. Of new job growth, 96 percent was low-income, and 4 percent high-income jobs; there were virtually no new middle-income jobs created.

Inequality also appears to be greater in cities with higher rank in the urban hierarchy. One recent study finds, for example, that the larger the population of the metropolitan area, the lower the incomes of families at the 10th and 25th income percentiles and the higher the incomes of families at the 75th and 90th percentile; it is no surprise that the level of inequality for larger metropolitan areas by more general measures, is also higher.[26] The poor are found in seas of wealth where many are stranded permanently from any opportunity to earn even a modest living.

An explanation for the greater inequality found in larger cities lies in the high concentration of internationally-linked services in those same cities. There is an emerging dual class structure, a connection between the creation of a bifurcated occupational structure and the needs of international business. The upper tier of the labor market includes the managers, lawyers, and accountants who work in the control and coordination centers of global corporations and related business services, as well as professionals in health, education, and other costly personal services. The bottom tier has the collective function of supplying cleaners, servants, delivery persons, and other menial workers to service the needs of the upper tier.[27] Below this level we find a large pool of under skilled persons who are poor whether they work or not. That is, a large portion of the periphery of the service sector are casual workers who have only marginal attachments to work and fall into welfare, petty crime, or other survival modes.

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[25] Harrison and Bluestone, U-Turn.

[26] Garofalo and Fogarty, "Hierarchy-Inequality Hypothesis."

We now move to a more detailed analysis of changes inside cities, to see how economic trends and public policy have combined at the metropolitan level to guarantee conditions that generate persistent poverty.

## THE SUBURBANIZATION OF MANUFACTURING AND SERVICE JOBS

The growth of suburbs is hardly a new process, and it has often been led by industrial moves. Business firms may move when they expand operations and run out of space, or they may leave the city in search of cheaper land or construction costs. They leave to avoid unions or generally high-priced labor, to avoid regulations, or to get better access to transportation. They move to seek out clusters of particular kinds of potential employees, or otherwise to increase output or cut costs. In a sense, of course, suburbanization is simply one concomitant part of urban growth.

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[27] Sassen, "Peripheralization;" Harrison and Bluestone, U-Turn.

Residential suburbanization has accompanied moves of business and industry, and in the post-World War II boom the entire national economy revolved around federal expenditures for public highways and subsidies for private houses; and it focused on the manufacturing of autos, steel, rubber, and cement, as well as on real estate and building materials.[28] For many decades this growth of suburbs, fueled by general metropolitan growth as the farms and countryside were emptied, was contingent in multiple ways on healthy and growing central-city economies and on a slowly evolving division of labor.

In recent decades, three things have changed in this underlying base. General growth of the metropolises has slowed, no longer fueled either by farmers leaving an industrializing agriculture or by migration out of the South. The population is almost entirely urban, growth now due to international migration--in New York, Miami, San Francisco, Houston, and Los Angeles, in particular. Second, the separation of urban and suburban activities has been accelerated by economic forces in the global economy. Third, racial and ethnic characteristics of the labor force, which have always been tied to metropolitan geography, now stand out as the principle features that differentiate the neighborhoods of cities.

Although their extremely rapid growth is fairly recent, the suburbanization of services and administration in metropolitan areas has been going on for a long time, pre-dating the current period of economic restructuring. Ever since the introduction of office computer applications in the 1950s, standardized, high-volume office tasks have been consolidated and moved in search of lower rents and labor costs. Many researchers have documented the movement of these tasks--such as data entry--to suburbs where land is cheaper, transport is easy, and clerical employees will work for low wages.[29] Other studies have divided office functions according to the amount of contact they require with people or organizations outside the firm. Those activities that require fewer contacts, freer to be relocated to suburban locations, have been moved.[30]

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[28] Goldsmith and Jacobs, "Urban Policy."

The spatial division of office work greatly increased in the 1960s. Growing firms faced new administrative and technical needs, often related to their expanding spheres of operations, which strained the land and labor skills available at low cost in the central city. The increasingly international framework of competition, discussed earlier, put great pressure on firms to cut costs.

In recent years, we have seen an acceleration in this movement toward suburban sites for offices and service operations.[31] In the five years between 1977 and 1982, suburban jobs in services nearly doubled, and jobs in the administrative end of manufacturing firms increased by almost a quarter. This was about twice as fast as in the central cities, where jobs grew in these sectors only about 50 percent and 10 percent, respectively. Non-productive activities of manufacturing firms no longer increase at all in the central city, and service employers--while growing in both locations--most often locate their jobs in the suburbs.[32] Production jobs themselves in manufacturing firms declined in both locations, due to structural economic change and America's shrinking role in world-wide manufacturing operations. Many inner-city firms closed, stranding a large pool of labor in the neighborhoods nearest the factories, especially workers whose housing alternatives are restricted by discrimination.

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[29] Tumminia, Locational Factors for the Office Function of Industry; Foley, The Suburbanization of Administrative Offices in the San Francisco Bay Area; Hoos, Automation in the Office; Jones and Hall, "Office Suburbanization;" Daniels, "New Office."

[30] See Goddard, Office Location in Urban and Regional Development, especially Chapter Five.

[31] Nelson, "Labor Demand," presents a case study of this process in the San Francisco Bay Area.

The increasing tendency of service employers to locate in the suburbs is also reflected in the magnitude of suburban office construction and in the high occupancy of the added space. In 1988, suburban office markets contained substantially more office space than central cities.[33] Although vacancy rates were also higher in the suburbs, so were rates of office-space rentals, called absorption: the suburban rate was half again as high as the central city's. In essence, the jobs were moving and the people were being left behind.

While most explanations emphasize the importance of changes in the balance of production costs between the central city and the suburbs, they differ on how to interpret the causes of these differences. A significant difference exists between those explanations that focus on understanding the decisions of individual firms--or even groups of firms as industrial sectors--and those focusing on the creation of an urban place in a more comprehensive, systematic sense.

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[32] Landis, "Central Cities," p. 8.
[33] Landis, "Central Cities," p. 11.

Among the explanations offered for suburban growth, those focusing on the changing balance of costs predominate. The most commonly accepted version of this argument emphasizes the dramatic changes in cost differences of inputs such as wages, transportation, and rent, between central city and suburbs. These differences were brought about by high investments in the national highway system and by massive subsidies and guarantees for housing finance. Both of these changes have been shown to create incentives for moves to the suburbs.[34] The rise of the suburbs has not caused persistent poverty, but it has created a socioeconomic and geographic isolation and insulation from the conditions that generate wealth. Minority workers and families, mainly inner-city Blacks and Latinos, lacked access to the political power that channeled and directed the continued growth and development of the city. We will return to this theme below.

The "urban ecological" research approach points out the factors that have made metropolitan reorganization possible.

> . . . the natural tendency for cities to grow beyond their political boundaries, the rise in affluence which has permitted families to purchase automobiles, the high level of family formation coupled with high birth rates (the latter now reversed), the aggressive program of road building, particularly of freeways, and the greatly expanded air-transportation system. In addition, it has been expedited by the invention and refinement of new institutional arrangements which have permitted firms to settle more readily in the outlying

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[34] Goldsmith and Jacobs, "Urban Policy."

> areas of the metropolis and to operate
> more efficiently.[35]

For example, highway investments have shrunk commuting distances, making it possible for workers to move out of the city but still have access to central-city jobs. This also gives firms a chance to take advantage of lower taxes, land costs, easier access to other metropolitan areas, and improved recruiting of professionals and managers who prefer (and can afford) suburban living.[36] The savings in time offered by the comprehensive air-transport system network expands the reach of markets, further encouraging a greater spatial division of labor.[37] More recent developments in communications technologies should extend this influence. Technical needs that are said to push airports further from cities also facilitate suburban growth as they stimulate new activities around them.

Two innovations attributed in part to the improvement of the highway system and massive automobile ownership are the industrial park and the suburban shopping mall. Firms move to industrial parks to enjoy "...good access to the highway system, attractive surroundings, and the mutual benefit in terms of increased prestige that accrues from proximity to reputable firms housed in modern facilities."[38] Likewise, shopping malls are integrally linked to the highway. Both of these development forms have posed severe challenges and competition to older employment and shopping districts in the central city.

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[35] Stanback and Knight, Suburbanization, p. 24.
[36] Stanback and Knight, Suburbanization, p. 26.
[37] This fact is highlighted in Stanback and Knight, Suburbanization.
[38] Stanback and Knight, Suburbanization, p. 39.

In order to explain more concretely the form taken by suburban development, theorists have created typologies of the locational patterns associated with various industrial sectors and sub-sectors. A standard approach is to divide the metropolitan economy into what are called local and export sectors. The local sector, sometimes called residentiary, produces and sells goods for local consumption, but exports nothing: office-cleaning, for example, or school-teaching. The export sector provides goods and services for markets outside of the local economy, or for non-residents, e.g., most steel manufacturing, most of the hotel business.[39] Different growth processes may affect the locational patterns of these two groups. In the export sector, headquarters and administrative offices tend to locate centrally, while production, research and development, warehousing, and regional sales offices have tended to decentralize to industrial parks and office parks, just as they also disperse internationally. As export-sector firms expand to operate on a national or multinational level, they tend to increase their own internal division of labor. More routine functions tend to become more footloose, decentralizing to cheaper locations; administrative and research functions tend to centralize to take advantage of infrastructure and agglomeration economies.[40] In the case of the local (non-export) sector, business locational patterns are much more dependent on the maturity of the local economy. As a metropolis develops, local functional differentiation increases and firms serving the needs of residents will tend to decentralize.

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[39] Goldsmith and Rothschild, "Specialization." The partitioning between "export" and "residentiary" on basic and non-basic activities is never entirely accurate, but for most analytical purposes it is satisfactory.
[40] Stanback and Knight, Suburbanization, p. 14.

Following in this tradition, many scholars have documented the changing locational patterns of firms in various industrial sectors.[41] Contrary to the impression given by the neat dichotomy presented above, location decisions have reflected political struggles, institutional decisions, and other hard-to-quantify factors. While some trends have been identified, perhaps more importantly, new factors have been highlighted, including a series of special influences. The social characteristics of the labor force in some cases override other area-cost considerations. International factors, such as extremely intense competition from producers at new sites, are sometimes dominant. Both narrow personal influences, such as the wishes of managers about the location of their housing, and broad political decisions, such as the pattern of defense contracts, are also influential.[42] The old emphasis on the costs of transporting inputs to the factory and the product to market--the location factors seen as most influential in the traditional models dominant through the 1960s--has faded as service and high-technology-based industries have grown in importance.[43] These new industrial forms allow for more personal discretion on the part of business managers. If they prefer certain locations based on social or racial preference, they can now exercise this preference. These locational preferences also lock large segments of the African-American and Latino workforce out of the competition for these new jobs.

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[41] The great benefit of these studies has been an enriching of the explanations and understanding of the complexity of these processes.

[42] See Markusen, The Rise of the Gunbelt; and Saxenian, "The Cheshire Cat."

[43] For a discussion of the applicability of location theory to high-tech industries, see Markusen, High Tech America, Chapter 8.

These various theories emphasize changes in the cost of operating in the central city versus the suburbs and the changing needs of industry. They focus on industries and see urban change as a consequence of economic change.

Even this approach falls short when explaining the form taken by suburbanization: which industries (or people) moved there, which did not? Emphasis is often mistakenly placed on the movement as "suburbanization" rather than as one meant to take advantage of conditions that were--at that historical moment--available in the suburbs. Neither location nor locational advantage per se drove the movement.[44] Growth in these models appears organic, its form almost inevitable. There is a notable absence of social factors and institutions and a pre-eminent concern with micro-level behavior.[45]

The limits of ecological models are made clearer in the face of movements which are opposite those predicted by such a factor-cost framework. In some cities where costs of land and labor have not risen, a movement toward the suburbs has nevertheless taken place (Oakland, California, and Newark, New Jersey, are examples). Most evidence supports the view that this movement has been planned to take advantage of the available pool of relatively educated, low-wage, white women in the suburbs. A similar outgrowth of the earlier wave of suburban development was the employment problem of dependents, mainly housewives, in suburbs.[46] In the simplest form, suburban housewives become competitors for jobs with Black and Hispanic men and women. The pattern becomes self-reinforcing as mutually isolated minority-city and white-suburb residents denigrate and fear one another.

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[44] These theoretical weaknesses are common to the work done within the framework of the Chicago urban ecology school.

[45] Weiss, The Rise of the Community Builders. Some of these criticisms have been addressed by Weiss and others who have focused on the role of various actors in these processes--actors such as the real estate industry, oil companies, automobile manufacturers, and land developers.

When we shift focus to the form of urban areas as a whole, suburbanization can be seen as part of the process of urbanization, in which the city as a whole is seen as the site organized to provide for most social and economic relations. We must thus acknowledge the importance of the historical period when cities emerged, examine the social relations among groups involved in city building as well as the urban economy, and understand how the physical form of the city reflects social relations.[47]

Taking this view, researchers have periodized American urban history, dividing it roughly into fifty-year stages: mercantile (1780-1840), national industrial (1840-1890), early corporate (1890-1940), and advanced corporate (1940-1990?).[48] As others have observed, the form and type of the city depends heavily on its period of construction: the Chicago skyscrapers, the Los Angeles freeway. But not just the form; social class relations, division of labor, and politics differ, too. These things, one might say, get built in.[49] "Our cities are literally museums of past social relations."[50] Cities which embody obsolete social relations and infrastructure must then be either reformed or discarded in some way. Suburbanization is thus a logical response to the no-longer-adequate form of a city. It will vary in form depending on the period.[51]

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[46] Nelson, "Labor Demand."

[47] Walker, "A Theory of Suburbanization." See also Gordon, "Capitalist Development," and Ashton, "Urbanization and Dynamics."

[48] See Gordon, "Capitalist Development;" Watkins, The Practice of Urban Economics and Harvey, The Limits to Capital..

[49] Harvey, Limits to Capital.

[50] Walker, "A Theory of Suburbanization," p. 406.

The spatial forms of cities have historically reflected the division of labor prevalent at their formative period of growth.[52] The location of different kinds of economic and social activities has changed as each has varied in importance and as inputs important to each have moved or changed. For example, today the city center provides facilities primarily for office uses; secondary offices in the suburbs make use of the suburban female labor force; and retailing is located in the central city and suburbs to best reach consumers. This process is of course driven by the need to reduce costs and expand sales, as well as the resistance to the employment of minority workers.

Decentralization today serves the need to make locational patterns more economically efficient, since it offers the possibility for cheaper land and more space, greater access to highways, and space-extensive land uses. It has been made possible as industries have removed constraints on location with improvements in transportation and communication and other technological change, and as new products have arisen (both industrial--high-tech--and service products) for which accessibility is less crucial. Repulsion from the center (due to congestion, wish to escape central-city minority labor, taxes) also propels industry outward.

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[51] Soja, "Economic Restructuring," develops a similar typology.
[52] Watkins, The Practice.

In the process of suburbanization, the real estate market organizes the creation of the built environment. The demand for certain uses alone is not enough to generate the appropriate built environment; the real estate capital market must funnel investment. This happens in waves and is self-reinforcing: investments in hot areas attract other investors. Inner cities are redlined by banks against mortgage loans because these jurisdictions are not considered hot areas for immediate profits. Creating enterprise zones and similar vehicles will not make inner-city areas shift this image. Certain policies reinforce this process: areas categorized as low-return receive less investment, while other areas benefit from development of infrastructure encouraged under tax laws. The location and pricing of transit lines, rates set by public utilities, and extension of highways are usually biased against central cities. Tax laws and credit institutions affecting housing construction and affordability favor suburbs, and so on.

In summary, changes in the composition and organization of the national economy have affected patterns of location within metropolitan areas. Sectors that are growing most rapidly are most often located at the urban fringe, while many traditional central-city employers (mainly basic industry) are shrinking and moving much activity to the outskirts, or beyond, even though a few central cities are booming as advanced service centers. In contrast to this general trend, a few traditionally labor-intensive industries prefer central locations in cities where they can take advantage of large concentrations of immigrants as employees. Firms in these sectors need no incentives other than the dilapidated conditions of many older industrial areas and low rents.

## THE CHANGING LOCATION OF RESIDENCES

As anyone who has ever bought a city house or rented a city apartment knows, neighborhood matters. People with a lot of choice, those with resources and good incomes, move in--that is, they pick neighborhoods with amenities, accessible to their needs, and often in the expectation of making money on an investment; those with less choice, with jobs and incomes that are low but rising, may move out--that is, they may escape bad or declining neighborhoods; the poor usually have little choice at all about where they live.

As all observers of the American scene know, race, ethnicity, and income are the essential forces in the physics of neighborhood change. Changes are sometimes counterbalanced by the weight of public investments in highways and housing, and they are influenced by people's choices of jobs, but the three essential forces are incontestable. People unable to move freely because of poverty, language limitations, and discrimination may be severely restricted in their attempts to find jobs or to move out with the changing industrial structure of the metropolitan economy.

### The Rise of the Suburban Neighborhood

Just as we charted the movement of industry to the suburbs, we now map the people-movement away from the central city. Immediately after the Second World War, large-scale housebuilding and highway construction began, and there has been a massive movement to suburbs ever since. In some metropolitan areas, the outpouring was so quick that central cities lost population even during the 1950s and 1960s. Since then, the shift to suburbs has continued. In 1960, central cities accounted for more than half the population of the country's metropolitan areas; by 1980 they accounted for less than 40 percent, a 25 percent drop. Over the same 20 years, the suburban population increased its share by nearly 30 percent.

This movement formed what is now called mainstream America--families in suburbs, with higher incomes, very likely to be white, and middle-class. Ninety-four percent of the suburban population is white. The shift outward has been massive, but it has not been generalized. Twenty-three percent of the central city population is Black (1986).[53] Our focus is on the minority groups left behind.

The measurement of residential segregation is a complex statistical task, fraught with even more difficulty than the measurement of income distributions. There are problems of areal aggregation and boundary definition, and there are risks of "ecological fallacy," the assignment of district or neighborhood average characteristics to the individual residents or families. As a consequence, even careful and reputable statisticians differ in their assessments. One thing is clear, however: in the entire post-war period suburbanization has been a racist affair, whether by intention or not, and minorities have been left behind. Centrographic measures give the clearest depictions of the differential movements. Figure 4.7 shows how from 1940 to 1975 white

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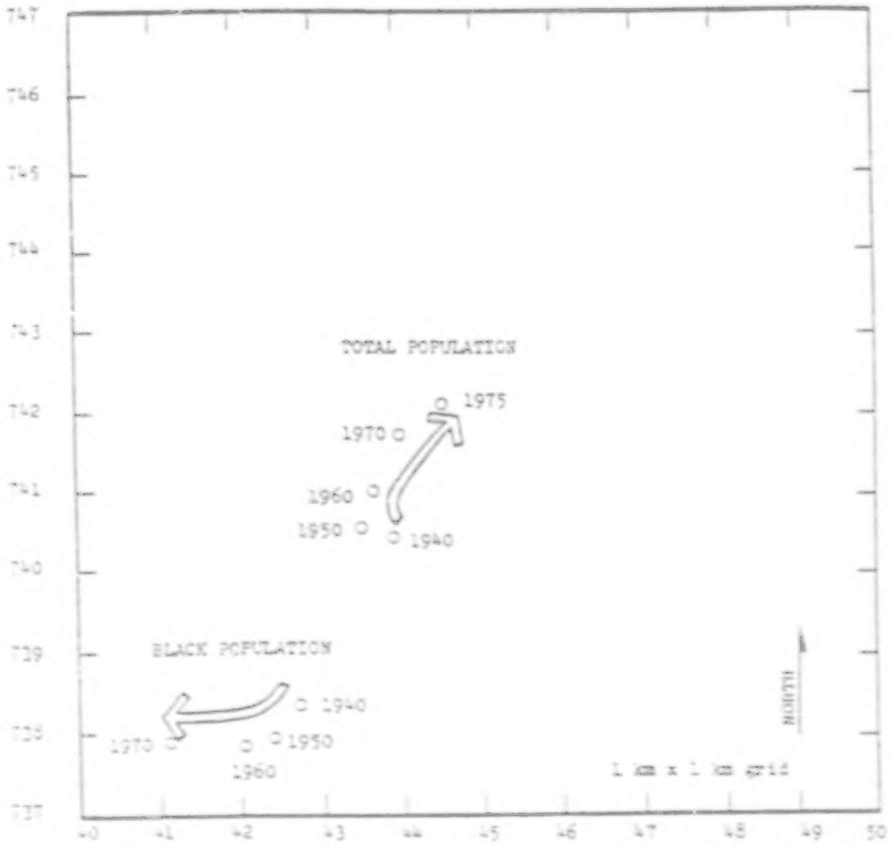
[53] US Bureau of Census, CPS, 1986, cited in Grier and Grier, *Minorities in Suburbia*, p. 6, Table 1.

Figure 4.7



Center of Population, Five-County Atlanta Region:
Total Population and Black Population, 1940-1975

residents of the Atlanta metropolitan area moved to the suburbs, while Black residents moved into the center.[54]

## Segregation and Concentration

Relative to whites, Black Americans have suburbanized slowly since the Second World War. In 1986, although they constituted 13 percent of the metropolitan population, they accounted for only 6 percent of suburbanites, half their proportion in the population at large. Twenty-four percent of Blacks lived in suburbs, nearly 60 percent resided in central cities. (The suburban figure for all other non-white racial groups combined is a comparable 28 percent.)[55]

Black suburbanization increased 120 percent between 1960 and 1980, from 824,416 to 1,954,948. Between 1980 and 1986, the rate slowed markedly, to 156,000 moves per year, a decline from the annual 177,000 increase in the 1970s.

Regional differences in the pattern of Black suburbanization exist. In the early post-war years, northern Black suburbs were often concentrated near central-city boundaries and appeared to be nothing more than spillovers from crowded central neighborhoods. Black suburban growth was concentrated in a few, primarily large cities. In contrast, southern Blacks--who were often already in outlying areas in large numbers--were often displaced by whites.[56]

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[54] Jones, Manson, and Coccossis, "Ellipses of Density." p. 238 shows, in addition, that while the white population dispersed, the Black population was further concentrated.

[55] Grier and Grier, Minorities in Suburbia.

[56] Guest, "Changing Racial Composition." For detailed description of the types of Black suburbs, see Rose, Black Suburbanization.

More recently, Black suburban growth was largest in smaller metropolitan areas, averaging an increase of 39 percent between 1980 and 1986 in SMSAs with populations between 1 and 1.9 million. This stands in contrast to the experience of the 1970s, when growth was positively correlated with city size. Three-quarters of Black suburban growth in the 1970s and the first half of the 1980s took place in the South, continuing trends toward concentration: suburbs in SMSAs with large central-city Black populations were most likely to grow, and this growth was likely to flow to areas already settled by Blacks. However, growth in smaller Black suburbs has recently also increased.

An overwhelming percentage of Hispanics--88 percent--lived in metropolitan areas in 1980. They comprised nearly 8 percent of metropolitan residents, 5 percent of the suburban population, and 11 percent of the central city. Thirty-seven percent live in suburbs; just over half of Hispanics lived in central cities.[57]

Although the landmark housing legislation of the 1960s altered patterns of housing discrimination, segregation remains pervasive in the United States. In spite of improvements, in 1980 Blacks remained the most spatially isolated minority group: average Black isolation is 2.5 times that of Hispanics and 10 times that of Asians.

Blacks were less isolated in SMSAs with relatively few Blacks and in generally rapidly growing, small or middle-sized cities of the South and West. There is no evidence that large Black ghettos in the north became less isolated from the mainstream in the 1970s and there is some evidence that their isolation increased. Aggregate national measures, meant to indicate the degree to which whites (or Anglos) attempt to avoid members of minority groups, reveal some leveling in the segregation of Blacks. However, more detailed analysis of disaggregated data makes it clear that there was little improvement, if any, in the cities of the Northeast, where the majority of urban Blacks live. These cities show relatively little change over the decade. Black isolation reinforces a sense of desperation and isolation in low-income ghettoes.

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[57] Grier and Grier, *Minorities in suburbia*, p 7.

On the whole, Hispanics became more segregated from Anglos in the 1970s, but still less than Blacks. Segregation was worst in cities in the northeast, where overall growth that was slow combined with large rates of immigration and white flight to produce a significant rise in the proportion of the population that was Hispanic. For Hispanics, change in the dissimilarity index appears to be strongly related to the level of immigration to a city. The greatest immigration and the fastest growth during the 1970s were in the largest Hispanic communities. It was in these communities, Los Angeles and Anaheim, California, and Paterson, New Jersey, for example, that segregation increased most. Large communities which grew little during the decade showed little or no change (New York, El Paso, Phoenix, Tucson, and San Antonio).

Asians, due partly to their relatively small numbers, are much less physically isolated and have high likelihoods of contact with whites. In line with patterns for other groups, however, in the cities having the largest Asian concentrations in the country, we find the greatest levels of segregation. Yet even in these cities, Asians are hardly concentrated: "Asian enclaves exist in some SMSAs, but it seems clear that most Asians do not live in them." In spite of high Asian immigration and population growth, segregation measures declined in every metropolitan area studied, with the exception of San Jose. In most areas, Asian immigrants found no particular community and settled in a dispersed pattern.

## Central-City Displacement

Central-city residents left behind by upwardly mobile suburbanites have faced threats to their neighborhoods from two sources: private-market gentrification and public projects such as hospital or university expansion, highway-building, or Urban Renewal. Since they are poorer and often constrained by discrimination in the housing market, the costs they bear for displacement are high. The poor are the most likely group to be displaced, and their moves often result in overcrowding and poor housing.[58] Researchers estimated in 1979 that 1.5 to 2.5 million people (4 percent of movers) were then displaced each year.[59] A 1985 study estimates that 40,000 to 100,000 people were displaced each year in New York City alone.[60]

In notable areas of a few cities, first-time home buyers (gentrifiers) have moved to central neighborhoods. The small magnitude of this phenomenon should be kept in mind: while its effect may be significant in specific areas of cities, and in a few special cities, the moves comprised less than 1 percent of the new national housing stock in 1982. They are concentrated in older cities with high land values, such as New York, Boston, San Francisco, and Washington, D.C.[61] Evidence indicates that most gentrifiers are not suburbanites moving back to the central city but, rather, first-time homebuyers already renting in the central city. A 1976 Census Bureau study found that 70 percent of central city homebuyers relocated from nearby, only 18 percent from the suburbs.[62]

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[58] These conclusions were derived from measures of spatial isolation based on the isolation index. See Massey, "Trends in Residential Segregation," p. 812. Changes in immigration laws, eliminating discriminatory national origins quotas, took effect in 1968. During the 1970s, 4.5 million legal immigrants and at least 2 million illegal immigrants entered the country. Also see Schill and Nathan, Revitalizing, and Logan and Molotch, Urban Fortunes.

[59] Hartman, "Neighborhood Revitalization."

[60] Marcuse, "Gentrification."

Based on the sketchy evidence available, it would be premature to say that gentrification generally leads to further segregation of marginal groups. More must be known about where displaced residents go. But, even the incomplete evidence suggests that minority-group, poor people are being pushed further away from any opportunity to own a home or become participants in the larger socioeconomic system.

An additional threat is posed by massive urban infrastructure or development projects such as the Yerba Buena project or the razing of San Francisco's Western Addition district.[63] Highway projects have wiped out whole neighborhoods.[64] These "renewed" neighborhoods were invariably the place where rising Blacks and Latinos were getting their start.

To summarize: overall, the restructuring of metropolitan residential areas whitened the suburbs and concentrated Blacks and Latinos in the central city; wealth went to the suburbs and poverty was centralized. Black suburbanization has been much slower and more partial than the white dispersal, and it has ended in most cases in re-segregation in the suburbs. White ethnic minorities also remain segregated in cities, but they show a much greater ability to blend into the greater city as their incomes rise.

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[61] Although gentrified units are not actually new, just improved. DeGiovanni, "Housing Market Activity," pp. 22-39.

[62] Cited in Babcock, Unfairly Structured Cities, p. 164.

[63] Hartman, "Neighborhood Revitalization."

[64] Babcock, Unfairly Structured Cities, p. 137; Caro, The Power Broker.

The geographic changes we have displayed and analyzed have had enormous consequences for politics and public finance at all levels in America, providing one of the principle mechanisms for the working out of racism. We will explore these effects in Chapter Five. We shall that the effects of discrimination and segregation are profoundly damaging. In section four, we explore how racism and the destruction of social networks undermine the ability of ethnic and racial minorities to function adequately in finding decent-paying jobs. In Section 5, we contrast how different approaches explain the isolation of central-city workers from good jobs, posing "spatial lock," a result of severe discrimination, as an important contributor to concentrated poverty.

## POVERTY AND PLACE

The Human (or Urban) Ecology School, whose explanations of suburbanization we reviewed above, was developed at the University of Chicago early in this century. It has also provided the framework for much of the analysis done of the location of various racial and ethnic groups in cities, one of its key variables being socio-economic status. This highly influential school relies on an almost organic conception of cities, in which the dynamics of urban form are tied to processes that generate "efficient" or functional outcomes. The form of cities is thought to vary as the city matures and society, as a result, becomes more complex and heterogeneous. Part of this maturation process involves an increase in incomes. In the course of growth, inner-city zones are expected to turn over and move toward "higher and better uses" through a process much like ecological succession in nature. As this happens, residents of these central areas will be pushed to residential rings further out.

One branch of this school, Social Area Analysis, posits that as societies grow economically, their inhabitants become more heterogeneous along three dimensions: socio-economic status, family structure (as more women enter the labor force), and ethnic (usually white ethnic) background. This increasingly complex social structure is reflected spatially. This mode of analysis has been applied most successfully to explain the location of ethnic groups. Models of "factorial ecology" predict patterns reflecting people's tendency to seek to live in areas with others with similar occupations, incomes, life-styles, and ethnicity.[65]

Recent data can be used to explain ethnic residential patterns by the balance between two countervailing processes, concentration and dispersion, which are driven, in turn, by the economy. Concentration results from increase in the spatial differentiation of the urban economy and from immigration. Dispersion results from the ongoing process of acculturation and socio-economic mobility.[66] Relative incomes are an important predictor of location for whites and ethnic minorities. As people move up the economic ladder, they leave central city neighborhoods for upgraded, often suburban areas. Levels of ethnic segregation also decline in the course of this movement, paralleling the rise in income.[67] From the Human Ecology perspective, it is this "American Dream" pattern that presents a dilemma for policy-makers and sociologists alike. No one wants to deprive lower-income people of the opportunity to move up or out. But it is this movement that appears to condemn their former communities to perpetual poverty and eventually halts the movement cycle. For these complex reason, programs for community development and neighborhood improvement seem to fail in spite of noble goals and considerable resources.

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[65] Berry and Kasarda, Contemporary Urban Ecology.

[66] Massey, "Empirical Review."

Occupational status is a key explanatory variable. As cities change, even neighborhoods become spatially differentiated, along with the occupational structure. This is most important in understanding the location of white-ethnic, blue-collar neighborhoods, whose workers are among the most spatially constrained by the cost and accessibility of urban transportation. Neighborhoods reinforce, or reproduce, the different social strata of urban society, as evidenced by the occupational division of labor, employment activity, and job status.[68]

Neighborhood location and characteristics are also driven by the needs of business. Great threats to low-income areas are posed by organizations and institutions that see neighborhoods as real estate from which money is to be made. The threat is greatest to poor residents of poor areas, since they have the fewest options in terms of relocation.[69] The success of neighborhood defense depends on the strategic value of the neighborhood in the urban area, on internal pressures for real estate property, the power and status of residents in the larger political economy, and residents' dependence on their communities for the satisfaction of their daily needs. Ironically, those most dependent on their neighborhoods for daily local services often have the least power and fewest services.

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[67] See article by Massey and Denton, "Hypersegregation." Also Clark, "Residential Segregation."

[68] See Scott, Metropolis, who recognizes that Blacks are the great exception to his models.

Although these models have different emphases and sometimes different underlying theories, they can be taken together to provide a reasonably accurate description and explanation of metropolitan residential form, once the basic determinants of industrial growth are given. It becomes fairly clear why poor neighborhoods are where they are, and the obstacles to improvement stand out, at one level or another. But in one basic way the models fail miserably. They are unable to account for the experience of Blacks. The failure of these models to account for the persistence of segregation, poverty, and inner-city location for Black workers and their families points out the need to deal with race explicitly.

## Racism

While the ecological (and parallel micro-economic) approach to residential location has been useful in explaining where ethnic communities locate, even most of its proponents admit that it is of little use in explaining why Blacks are located where they are and, more importantly, why Blacks have not been able to move to other locations as rapidly as whites as their incomes rise. Yet while most would agree that race is an important factor in explaining the location of Blacks in metropolitan areas, there is disagreement over what sort of emphasis it should be accorded.

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[69] Logan and Molotch, Urban Fortunes.

Various authors find that racism of one form or another explains most urban spatial segregation. At lower levels of income, even white ethnics are segregated, but much less so as incomes rise.[70] At higher incomes, informal racial restrictions on residence are key factors in keeping Blacks in the central city.[71] Formal restrictions exist, too; much of the blame for the perpetuation of housing segregation can be laid at the feet of the government.[72] Residential segregation reinforces for Blacks the feeling of frustration with regard to the system and for poor Blacks the futility of social aspirations.

Analyses of Black suburbanization (described earlier) support the conclusion that discrimination is still strong. When Blacks move to the suburbs, they are steered into into Black neighborhoods and re-segregated. They pay higher prices for inferior housing and poorer services than do whites of comparable income levels. In effect, moving to the suburbs just transfers the problem to a new location.[73]

Comparisons of the segregation of Puerto Ricans and other ethnic groups from whites provide convincing evidence of the power of racism. While Latinos have traditionally followed the predictions of the ecological model, assimilating culturally and spatially as their incomes rise, Puerto Ricans have maintained high levels of spatial segregation even as their incomes have risen. This may be because Puerto Ricans, from a multi-racial culture, are less averse to settling near Blacks,[74] but it is more likely because many Puerto Ricans, themselves with dark skins, suffer discrimination from whites.

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[70] Massey and Denton, "Trends in Residential Segregation."
[71] Rabin, "Metropolitan Decentralization."
[72] Tobin, Divided Neighborhoods.
[73] Clay, "Black Suburbanization."

Other writers implore us to focus on how a variety of factors together cause segregation: socio-economic status may be the strongest among them, but still (according to one recent study) it explains only "30-70 percent of racial separation."[75] The notion that many factors contribute to racial segregation points us in the right direction. Race should not be seen as a factor separate from others. Ethnically or racially restricted neighborhoods may be useful, for example, to certain low-wage industries in the urban economy, since such neighborhoods may house groups inexpensively, although frequently segregation allows even this space to be rented at a premium. This is as true for poor Blacks as for recent immigrants, both suffering from weak positions in the labor market.[76]

## Networks

Weak internal functioning of neighborhoods can tie residents to their communities and make them more vulnerable and less able to adjust to displacement. The lack of networks and internal organization can be seen as one cause of the stagnation of Black, central-city neighborhoods.

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[74] Massey and Denton, "Trends in Residential Segregation," pp. 329-330.
[75] Clark, Residential Segregation, emphasizes how other factors, once added to models, diminish the amount of variation explained by race.
[76] Scott, Metropolis.

People are not indifferent to neighborhood; ties to neighborhoods are strong. Especially important are informal support networks. The poor are most dependent on these networks. Other neighborhood benefits include the collection of services (especially important for women), social standing, and trust (linked to ethnicity).[77]

Immigrant neighborhoods are maintained, even as individuals move through them, by the networks that draw in new immigrants and that channel them into jobs, linking them to the urban economy.[78] Job connections then perpetuate the functional tie between occupational structure and location.[79] Ethnic settlements are further institutionalized as they reach a certain critical mass, which is able to support neighborhood stores, churches, minority or foreign language presses, etc. Government policy at any level has a difficult time reproducing this system.

Information networks in lower-income communities are essential for connection to jobs outside the areas,[80] and there is some evidence that such networks work much better in immigrant communities than in Black ones.[81] Some attribute the lack of strong Black neighborhood networks to the exodus of the Black middle class.[82] Strong networks in immigrant areas insure the continued arrival of kinsmen able to fulfill the role of low-wage work force, while others move out.

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[77] Logan, "Residential Segregation;" and Logan and Molotch, *Urban Fortunes*.

[78] Massey, "Residential Segregation" and "Social Organization."

[79] Scott, *Metropolis*.

[80] Fischer, C. *To Dwell Among Friends*.

[81] Lomnitz, *Networks and Marginality*, and Van Haitsma, "A Conceptual Definition."

[82] For example, Wilson, *The Truly Disadvantaged*.

To summarize: residential location depends on occupation and family income, race, and attachment to neighborhood. Explanations based solely on socio-economic status appear flawed for their inability to deal with race. Those concentrating on networks have not yet successfully explained why some areas develop networks and others do not. Racial discrimination emerges as a vital factor in explaining the inability of Blacks to move freely in the urban housing market.

## THE CENTRAL-CITY LABOR FORCE: SPATIAL MISMATCH OR SPATIAL LOCK

The movements of jobs toward the suburbs and the differential suburban movements of social groups have changed the composition of urban labor markets and labor forces, as well. The interaction of these changes might be expected to have varying results for different groups. Indeed, to take but one example, Black and Hispanic male unemployment is highest relative to that of whites in metropolitan areas where jobs are most suburbanized and the minority population is least so.[83]

Unemployment rates for the central areas of traditional industrial cities differ significantly by race, diverging most widely in cities that lost the greatest share of their manufacturing bases during the 1970s and early 1980s. For example, central-city unemployment in Detroit fell from 19 to 16 percent for white men from 1980 to 1985 but rose to catastrophic levels (around 30 percent) for Blacks. The same trends hold true to a lesser degree in Chicago.[84]

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[83] Farley, "Disproportionate Unemployment."

Differences are also apparent between the unemployment rates of men and women in the central city of the industrial Northeast. Between 1980 and 1985, women have generally seen some improvement, as their unemployment rates have fallen, with the glaring exceptions of Black women in Chicago and Detroit, who had 1985 unemployment rates of 23 percent and 31 percent, respectively.[85] Curiously, movements in the unemployment rates of central-city women and men are often in opposite directions. The problems of central-city youth are also severe (see Table 4.2). Between 1969 and 1985, unemployment of white youths between ages 16 and 24 rose from 7.3 to 13.5 percent. In addition, young discouraged workers grew from 4.5 to 6.1 percent. For Black youths, the statistics are staggeringly higher. Black youth unemployment grew from 13.0 to 37.1 percent and discouraged workers from 8.2 to 14.1 percent. Regionally, youth unemployment was worst in the Midwest and the Northeast, paralleling the situation for adult workers.

An overview of Table 4.2 reveals some truly astonishing statistics. Consider the summation of two measures: the precentage who are unemployed, and the percentage who are neither in school nor in the labor force. In Midwestern central cities in 1969, for example, 1.4 percent of white men aged 25-64 were unemployed, and another 5.1 percent were neither in school nor in the labor force, which result in 6.5 percent "wanting" work. Perhaps this statistic, and the accompanying

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[84] Kasarda, "Jobs...Mismatches," computed from Bureau of Labor Statistics information, Table 14, p. 183.
[85] Kasarda, "Jobs...Mismatches," computed from Bureau of Labor Statistics information.

John D. Kasarda "Jobs, Migration adn Emerging Urban Mismatches" Urban Change adn Porerty Washington D.C. National Academy Press 1988, pp. 148-253 Table 16, pp. 187

## JOBS, MIGRATION, AND EMERGING URBAN MISMATCHES

TABLE 4.2 Unemploment Rates (percentage) and Proportion of Male Central-City Residents (Aged 16-64) Who Are Not in School and Not in the Labor Force, by Region, Race, and Age: 1969, 1980, and 1985

| Region, Race, and Age | Unemployment Rates | | | Percentage Not in School and Not in the Labor Force | | |
|---|---|---|---|---|---|---|
| | 1969 | 1980 | 1985 | 1969 | 1980 | 1985 |
| All regions | | | | | | |
| White | | | | | | |
| Aged 16-24 | 7.3 | 12.1 | 13.5 | 4.5 | 5.2 | 6.1 |
| Aged 25-64 | 1.6 | 5.2 | 6.2 | 5.8 | 9.8 | 10.4 |
| Black | | | | | | |
| Aged 16-24 | 13.0 | 29.0 | 37.1 | 8.2 | 13.7 | 14.1 |
| Aged 25-64 | 3.4 | 10.9 | 14.6 | 10.3 | 18.6 | 20.4 |
| Northeast | | | | | | |
| White | | | | | | |
| Aged 16-24 | 7.4 | 16.5 | 16.7 | 6.9 | 5.5 | 9.4 |
| Aged 25-64 | 1.6 | 6.2 | 7.1 | 6.9 | 11.9 | 12.7 |
| Black | | | | | | |
| Aged 16-24 | 12.0 | 33.8 | 43.5 | 12.2 | 19.2 | 24.5 |
| Aged 25-64 | 4.8 | 12.5 | 13.1 | 10.7 | 17.7 | 19.0 |
| Midwest | | | | | | |
| White | | | | | | |
| Aged 16-24 | 7.0 | 14.7 | 19.1 | 3.2 | 2.6 | 7.1 |
| Aged 25-64 | 1.4 | 6.8 | 8.1 | 5.1 | 9.6 | 10.5 |
| Black | | | | | | |
| Aged 16-24 | 16.3 | 40.5 | 44.5 | 7.2 | 19.4 | N.A. |
| Aged 25-64 | 3.0 | 15.2 | 18.6 | 9.9 | 19.9 | 27.0 |
| South | | | | | | |
| White | | | | | | |
| Aged 16-24 | 6.0 | 8.4 | 8.9 | 4.0 | 8.7 | 3.7 |
| Aged 25-64 | 1.0 | 3.6 | 4.5 | 5.0 | 9.0 | 9.6 |
| Black | | | | | | |
| Aged 16-24 | 8.5 | 19.4 | 29.2 | 6.9 | 9.5 | 14.3 |
| Aged 25-64 | 2.4 | 7.1 | 13.9 | 10.6 | 19.3 | 17.1 |
| West | | | | | | |
| White | | | | | | |
| Aged 16-24 | 9.5 | 9.3 | 11.3 | 4.5 | 3.8 | 5.5 |
| Aged 25-64 | 2.8 | 4.9 | 5.8 | 6.0 | 8.8 | 9.1 |
| Black | | | | | | |
| Aged 16-24 | 19.7 | 30.0 | 29.6 | 6.0 | N.A. | 9.3 |
| Aged 25-64 | 4.8 | 9.1 | 11.7 | 9.3 | 15.0 | 17.4 |

NOTE: N.A. = not available.

SOURCE: Bureau of the Census (1969, 1980b, 1985b).

1969 Midwest statistic of 10.2 percent for younger men, should be taken as an "ideal," in the sense that it is a measure of the most satisfactory employment situation we can imagine in real life in large, modern, industrial cities. (The employment situations for the same groups in the same year in the South are about the same.)

Against these "ideal" statistics, how have things changed in a decade and a half? How do young workers and particularly Black workers fare in the central cities? For all but two of 37 categories of change in Table 4.2, the situation has worsened over time, and in many cases the worsening is dramatic. By 1985, 26 percent of young white men in the Midwest were out of work. The best situation for young Black men was in the West, where 39 percent were out of work in 1985; in the Northeast the central-city out-of-work figure reaches an incredible 68 percent.

More general levels of underemployment, including involuntary part-time and very low wage work, also increased between 1970 and 1982, especially among young adults and those with low levels of education.[86] Racial polarization also accelerated in central-city labor markets, as the absolute gap in underemployment between Blacks and whites increased substantially. The significance of race has increased over time, regardless of age group, level of education, or macroeconomic shifts, as did the effects of education and age.

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[86] Underemployment generally refers to inadequate work time and earnings.

## Isolation of Jobs and Workers?

The difficulty that central-city workers have finding and commuting to suburban jobs has been a controversial issue. One measure of isolation is access to means of transportation. If means are not available to transport workers, the theory goes, then related arguments about isolation from jobs become moot. Dependence on an auto for an outward commute is increasing. Several studies have found a decrease in the proportion of trips made to suburban jobs by public transit. Between 1970 and 1980, while urban-suburban commuters rose by 25 percent, the number making this trip by public transit fell by nearly a third, trips by transit falling from 10.9 to 4.7 percent of all work trips from the central city to the ring over the same time period.[87] Surveys indicate that this was not by choice: 75 percent indicated that they failed to use transit because it was not available or was not conveniently accessible.[88] Reports that distance from the ghetto is correlated negatively with Black employment are suggestive of this problem.

Data strongly suggest that most suburban jobs are beyond the reach of the "transit-dependent," of whom Blacks form a large portion. In 1980, close to two out of five central-city Black households lacked access to an automobile. In contrast, fewer than one in five of central-city white households faced this problem. And while whites are becoming less transit-dependent, Blacks are becoming more so.[89] Women--especially Black women--are even more transit-dependent than men.[90]

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[87] Rabin, "Metropolitan Decentralization," p. 10.

[88] Fulton, "Public Transportation."

Regionally, important differences emerge in transit use. Cities of the northeast have experienced simultaneously the greatest losses in central-city manufacturing and the largest declines in public transit use for the journey to work.[91] New jobs are either not accessible by transit or new workers prefer cars. In either case, transit-dependent workers lose out.[92]

The "spatial mismatch" between jobs and workers organized by race is an idea originally developed by the Kerner Commission. The argument[93] rests on several points: that Blacks are unskilled and therefore poorly matched with supposedly high-skill jobs in the service and high-tech sectors, that jobs with low educational requirements are disappearing with the decline of traditional manufacturing industries, that central-city Blacks have been particularly dependent on these industries for work, that central-city Blacks lack access to new jobs for want of cars, and that they are unwilling to migrate to the Southwest where new jobs are locating, because of welfare dependency.[94] We have already introduced evidence on several of these points. Let us now put it together.

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[89] Rabin,"Metropolitan Decentralization," Table 5.

[90] Rabin, "Metropolitan Decentralization," Table 10.

[91] Rabin, "Metropolitan Decentralization."

[92] In "Interaction," Leonard shows that the further away from the ghetto a firm locates, the fewer Blacks it employs. He concludes that residential location, therefore, not only limits where Blacks can live, but also where they can work.

[93] Kerner Commission, Report, p. 278. The argument has been revived by John Kasarda in his various publications.

[94] Fainstein, "Underclass Mismatch," p. 432.

## Low-Skill Jobs: Traditional versus Service Industries

Employment in manufacturing has declined while in services it has grow rapidly throughout the country. Although in 1953 jobs in white-collar service sectors employed fewer than 19 percent of all workers in New York, Philadelphia, Boston, Baltimore, and St. Louis, by 1985 this sector comprised the largest source (48 percent) of employment in these central cities. Other sectors of employment in these Northeastern and Midwestern central cities declined drastically almost without exception, more than compensating for the rise in services, so that total employment fell nearly seven percent.[95] In cities in other regions of the country, Atlanta, Houston, Denver, and San Francisco, with much smaller Black populations, the service sector has also grown most, but somewhat less rapidly.[96]

It is generally believed that jobs in white-collar, service, information-processing industries require higher levels of education than the jobs that have been displaced and that this accounts for the high unemployment rates of Blacks -- especially men. In support of such arguments, researchers point out that in the nine cities just mentioned, we find an overall increase from 1959 to 1985 of more than one and one-half million central-city jobs for those with at least some higher education, but a decline of nearly a half million jobs for those without high school diplomas. Even more drastic changes have taken place in the Northeastern and Midwestern cities.[97]

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[95] Kasarda, "Jobs...Mismatches," computed from Bureau of Labor Statistics information, Table 9, pp. 170-171..

[96] Kasarda, "Jobs...Mismatches," computed from Bureau of Labor Statistics information, Table 10, pp. 174-175.

Is the claim reasonable that the high school education requirements of the jobs in growing sectors explain the increasing unemployment of Blacks? More than 445,000 Black, working-age, central-city men in the Northeast (some 43 percent) did not hold high school diplomas in 1985, which very likely precludes their chance of employment in white-collar jobs. At the same time, however, nearly 945,000 white men (29 percent) did not have diplomas. Looking at residents of central-cities in the entire country, we find that 39 percent of Black men and 25 percent of white men had less than a high school education. These differences, striking though they are, seem insufficient to explain the huge differences in rates of unemployment. We find, for example, that the 1985 unemployment rate for Blacks in central cities with no high school diplomas was nearly double the rate for whites; for Blacks it was 27.3 percent, compared to 15.5 percent for whites. A closer look is necessary.

What jobs are the employed but unschooled whites performing? Measures of educational attainment of workers tell us about the characteristics of the employees, not of jobs. What needs to be determined is whether or not these two factors (characteristics of workers and job requirements) actually match. It may even be that the wrong measures are used.[98] In New York City the greatest incidence of low-skilled jobs is found in "business services," the fastest-growing employment sector in the city and a center of Black employment.[99]

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[97] Kasarda, "Jobs...Mismatches," produces supporting statistics for New York, Philadelphia, Boston, Baltimore, St. Louis, Atlanta, Denver and San Francisco. Only in Houston (in this sample) did the number of jobs increase substantially for those without high school diplomas.
[98] As Fainstein, "Underclass Mismatch," argues convincingly.

## Suburban Jobs for City Residents

The lack of access of central-city workers--especially Blacks--to suburban jobs is most acute for those without access to automobiles. Yet it does not follow that by improving access the problem will be solved. While it may be a necessary condition, the central-city data suggest it is not a sufficient one.

Studies of suburban Black employment reveal that even suburban residence (e.g., access) is not the answer.

> . . . proximity without both suitable skills and non-discriminatory hiring and pay practices, will not ensure employment success.[100]

A study of Cleveland, Detroit, and Philadelphia found that suburbanization of Blacks does not automatically solve the employment problems of Black males. Likewise, Black teenage unemployment in Chicago suggests that accessibility, while not irrelevant, matters only slightly. Comparable Black and white teenagers fare just as differently when they live next to each other as when they live in areas with dramatic differences in job accessibility.[101] These studies cast serious doubt on the notion that migration to areas of greater employment growth will overcome racial imbalance. These doubts are reinforced by compelling statistics showing that discrimination alone (ignoring location) still accounts for a sizeable portion of unemployment and assignment of Black workers to bad jobs.[102]

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[99] Sassen-Koob, "Global Cities." Likewise, a study by the Federal Reserve Bank of New York concluded that changes in industrial composition cannot adequately explain Black employment problems (Chall, "Skills Mismatch.")

[100] Page, "Spatial Mobility."

[101] Ellwood, "Spatial Mismatch Hypothesis."

Overall, the spatial-mismatch hypothesis raises important issues but incorrectly identifies the problem as primarily a spatial one. It takes the fact that Blacks are mostly located in the center of declining cities while jobs are growing in the suburbs, and concludes that movement toward jobs (and appropriate training) would alleviate the problem. Discrimination, an issue relevant to central-city concentration of Blacks to begin with and certainly to their access to jobs no matter where they are located, is never raised. By ignoring this key facet of the problem and focusing almost exclusively on distance and accessibility, researchers using this approach arrive at a poor understanding of the problem and recommend misguided policy.

## Spatial Lock

Our "spatial lock" hypothesis is an attempt to account for these complexities. In brief, certain groups are trapped in the central city. Poor, poorly-educated Blacks are trapped semi-permanently, ethnic groups temporarily, and they are all limited in their opportunities for jobs. Poor people are trapped not just because they live in the central city (and hence should be expected to move out to find employment) but because they are forced almost always into marginal locations, much of the central city is today a marginal location. They (the poor) are presented with a limited set of opportunities on top of the constraints they already face (both socially and individually).

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[102] Boston, Race.

This entrapment situates workers so they are likely to be pushed into job markets that take advantage of their constraints and their limitations, including lack of easy access, but not limited to it. In a process of labor force segmentation, vulnerable groups such as recent immigrants (especially undocumented ones) must accept work either at less pay or under poorer conditions than they would be expected to in a unified labor market. In the case of Black workers, there is solid evidence that most are unable to penetrate higher-wage occupations, no matter how high their qualifications or location. Racially-based wage differentials have increased in cities, for all groups.[103] Minorities are told that, if they expect employment at wages comparable to whites, their expectations are too high.[104] Other possible reasons for the persistent Black-white urban wage differences, such as differences in "human capital," are insufficient.[105] Nor is city growth in the sunbelt found to lower the barriers that channel minority workers into low-wage jobs.[106]

Similar findings have been reported for recent Central American and South East Asian immigrants to central cities. The large-scale immigration of poor people from third-world countries since 1965 has fed a process of growth of low-wage industries. Several studies have

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[103] Lichter, Racial Differences.

[104] See, for example, Bradbury and Browne, "Black Men;" Freeman, "Create Jobs," New York Times, Sunday, July 20, 1986, F2.

[105] Schulman, "Discrimination;" Boston, Race.

[106] Salinas, "Urban Growth."

documented the persistence of the segmentation of immigrant workers into these low-wage jobs.[107]

The employment problems of certain groups in the central city are severe. Unemployment rates for urban Blacks are phenomenally high. Wage differentials between Blacks and whites are persistent and unexplained by skill levels. At the same time, central-city residents (again, especially Blacks) are cut off physically from suburban job centers. From all of these figures, the continuing importance of race emerges.

The spatial-mismatch hypothesis argues that this lack of access, along with skills mismatches, explains the employment problems of Blacks, but evidence is weak. Our spatial-lock hypothesis better explains the segmentation into low-wage jobs--or marginalization from the labor market--of low-income, low-skilled Blacks, Hispanics, and some other immigrants, which leads to poverty. In turn, poverty without any outlet leads to persistent, deep, and culturally reinforcing isolation and stagnation.

## CONCLUSIONS

The changes that have undone and re-fit the global and national economies--reviewed earlier in Chapter Three--have also re-worked the shape of American cities. Different components of the urban economy have grown and declined in ways that have mixed with neighborhood changes to help some city residents, but to hurt others. We had earlier glimpsed the outcome, to see which groups have constituted the winners and which the losers. In this chapter, we continued this description and analysis, concentrating on regional dimensions and on the patterns seen among groups and places inside metropolitan areas.

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[107] Freedman, "Urban Labor Markets."

Regional economic boom and bust, differential rates of city growth and decline, and a racially based suburbanization have contributed directly to the problems of the poor and the persistently poor. To be sure, it is possible that on rare, recent occasions suburbanization may have been accompanied by rapid growth of a healthy central city with plentiful jobs and improving neighborhood conditions, and in some stagnating regional economies the costs and losses may have been widely distributed, but more frequently suburban growth has been the flip side of the city's decline and decay, or of the city's division into separate zones of white corporate wealth and Black and brown third-world-like poverty. White flight (and sometimes minority middle-class flight) has most often left impoverished Blacks, Latinos, and a few others stranded, separated, isolated with little political power and few public resources, at best able only to make use of their cheap labor to pull in low-wage employers.

# CHAPTER 5 -- POVERTY, PUBLIC POLICY, AND LOCAL AFFAIRS

This chapter is about the weakness and inadequacy of local government and related institutions and their inability to combat the sources of poverty or to ameliorate its effects. The main argument is that because local institutions such as city halls, neighborhood associations, church groups, and charities are close to the problems of poverty, they are likely to be most responsive and innovative in reducing or alleviating poverty. But such civic bodies are relatively weak and unprosperous themselves, so alone or individually they are unlikely to be effective. If they were to group together to form collective power, not only locally but combining the political strength of various cities, they might ultimately increase their access to resources for expanding the fight against poverty. Such access now is the almost exclusive province of national politics, in which there are few pressures to force leaders to treat poverty seriously. To initiate change, coalitions of activist and progressive local governments may be able to influence national politics in two ways. First, coalitions might generate pressure for modifying the federal agenda, so as to encourage intervention directly to guarantee more funds to alleviate poverty, and indirectly so that the economy is better managed and poverty thereby reduced. Second, coalitions and networks of localities can work to shift the locus of power, including fiscal authority, from national to local levels, so that funds are more likely to be allocated to pressing domestic needs. Through such changes a powerful but now missing domestic and minority representation--of central-city people, of women, and of people of color--may be brought to bear on all levels of national politics.

From the perspective of this book, in which poverty is seen not as a consequence of individual failings but instead as a consequence of the unregulated and competitive workings of markets abetted by narrow-minded, short-sighted, and biased public policy, large reforms are unlikely in the short run, and no set of mild reforms is likely to "solve" the poverty "problem." Once we understand that politics and economics are tightly interconnected and that the dominant political opinion urges that markets should function freely, it is unreasonable to expect major feats of social mobilization and great transformations in the economy. Nevertheless, we (the authors, and we hope many readers) do seek reforms, so we try to discover points that will yield to pressure. We therefore seek limited but properly focused solutions to particular problems in a way that can lead to increased local empowerment, which in turn will bring further reforms.[1] In this and the next chapter we focus on the local angle, aiming to discover not only opportunities for amelioration of the worst aspects of poverty through the exercise of growing municipal political power, but the ways such growing power may transform national politics.

In earlier chapters, when we observed the fact of urban isolation, the condition of the "separateness" of poor people in cities, we began to understand national politics. Like a dog chasing its tail, this problem of poverty and politics goes round and round. The more Washington spends its money and attention on the concerns of business, the worse the social polarization grows. The deeper the social polarization, the easier it is for Washington to ignore the poor, who tend not even to vote.[2] As the corporations and the Congress have redistributed benefits upward, poverty has spread and deepened, distancing those in need still further from federal attention, and we see a pattern of cumulative causation.

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[1] What Gorz, Socialism and Revolution, calls non-reformist reforms.

Furthermore, as changes in the economy and in federal policies have helped the rich and hurt the poor, the consequent polarization has reinforced old "separatist" tendencies that have aided well-off suburbs and deprived central cities, a process which in turn has been abetted by racial and ethnic inequalities and discrimination. One of the results, prominently displayed in Chapters Two and Four, is a high concentration of severe poverty in inner-city neighborhoods, areas of little interest to the now predominantly suburban Congress. The physical, geographic character of the national income polarization, political distancing, ideological separateness, and social isolation practically defines the American city of the 1990s in terms of highly segregated racial, ethnic, and income groups.

These "structural" problems of separation and alienation are daunting. Indeed, they have been the demise of many thoughtful and well-intentioned anti-poverty policies. But they ought not be overwhelming; in the problems themselves we should discern the beginnings of a solution. The urban separation not only debilitates; it also causes a constructive counter-movement. Locally, because neighborhoods with severe, long-term, and concentrated poverty become the focus of concern over drugs, crime, and disruption (and because these problems either originate outside or spill beyond the most troubled city blocks and neighborhoods), the issues are not so readily hidden. And because the poor have potential political strength in local areas, their interests are not so easily ignored. As a consequence, in recent years we have seen neighborhood movements growing in power, local governments becoming more responsive and taking more initiatives, and an increasing number of cities electing notably progressive leaders.[3]

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[2] In the 1984 presidential election, 38% of those eligible voted in families with incomes under $5000, but 74% voted in families above $35,000. Only 44% of high-school drop outs voted, while 79% of college graduates did. McBride, "The Rich Get Richer," cited in Winnick, Toward Two Societies, p. 12; Sanders, "Reflections."

Conspicuous as this circular path to reform may be, it is strewn with obstacles, one group set at home, another group set beyond local boundaries. First we look close at home. Although ultimately many of the responsibilities for alleviating the bad consequences and even eliminating the immediate causes of severe poverty should lie (and are popularly thought to lie) with local institutions, especially municipal governments, these institutions' capacities are powerfully limited by history and by distant and deeply rooted forces. Local institutions are constrained by tradition: from a high point of municipal power in Medieval towns and cities, down through the exercise of rights by American colonial towns and cities, there has been a long-term erosion of any effective public power situated between the individual citizen and the nation state.[4] Local institutions are constrained by law; city halls are constitutional creatures of state legislatures, specifically limited in their functioning. Tightening the constraints of tradition and law, there is a short supply of public and private funds in central cities, partly as a result of long patterns of industrial change, which have curtailed taxable activities. Finally, the central city, strapped in all these ways, is more than ever the crucible in which centuries of racial antagonisms are being worked out.

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[3] Mier & Giloth, "Spatial Change;" Shearer, "Equal Partnerships;" Clavel, The Progressive City.

[4] Frug, "The City," pp. 1083-98.

Looking beyond metropolitan boundaries, we see that the special weaknesses and burdens of cities are compounded in these particular times because governments in general are now loathe to control or even to regulate private decisions in the economy. There is great reluctance, for example, to use public powers to constrain corporate decisions regarding investments, even if such decisions end up transferring massive numbers of jobs overseas. Conservatives have also whipped up great enthusiasm over the potential benefits to be had from "privatization" and the good effects of "partnerships" between public bodies and private business, as though we could return to a utopia in which unregulated, competitive behavior would produce the greatest good for the greatest number.

Nevertheless, in spite of these local and national limitations, the high concentration and severity of city problems suggests a path for change. At our most optimistic moments, what we imagine is that effective national plans to reduce poverty will come about after social and political movements elect more progressive officials to local governments. These men and women, strapped for resources to meet the obvious needs for education, housing, health, and welfare of their constituents, will (we think) see the need to form coalitions to force national politicians to improve the federal agenda. They may also begin the move toward increasingly democratic control of national resources, in which the expanded exercise of local power will have to be an important component.

Under today's circumstances, and given the extent to which worldwide corporate reorganization has caused havoc in domestic labor markets, a new pattern of communication that can transmit influence from local levels where the problems are felt to national levels where they may be controlled will be necessary. The attention of the national government will have to be refocused, so that major flaws in the operation of the economy become apparent and solutions irresistible. We will turn to these issues of public policy in Chapter Six. For now, we simply recognize that in this effort the role of local institutions must be paramount.

As our review of evidence on the global economy, metropolitan reorganization, and racial, ethnic, and gender discrimination suggests, the difficult situation we face in American cities is the consequence of several long, historical trends. We do not imagine that it will be simple to reorient the way the nation does business, or to exert more control over corporations with vast overseas networks, or to change discriminatory practices deeply rooted in racist and sexist prejudices. But we do believe the evidence demonstrates that the problems will not be solved unless local politics and institutional pressure can force national leaders to recognize that the contemporary dilemma of persistent poverty in American cities is rooted in the structure of the economy, that prejudices cannot be given free play, and that the nature of public intervention must be redesigned. It is a long circle to travel. We begin by acknowledging the weakness of local institutions, but then affirm their necessity. We recognize that their weaknesses result from historical, deep, and distant forces, but we believe in transforming these weaknesses into strength. This is the task we must face if we are to grapple seriously with the basic causes of persistent poverty in American cities.

## THE NATURE OF LOCAL GOVERNMENT IN THE FEDERAL SYSTEM

Local institutions are particularly important in the fight to reduce persistent poverty because they offer the potential to provide continuing, consistent intervention into the life circumstances that surround the poor in the places where they live. Local institutions constitute a wide and diverse set of organizations and entities, ranging from local governments, with direct responsibility for law, taxes, and regulations, to community volunteer organizations with barely any resources at all. There are good reasons to examine the potential for local action.

International and national domestic economic circumstances limit the potential of most national approaches to dealing with poverty. Poverty is embedded in the national structure. In order to attack poverty, we will have to re-orient and rebuild many institutions from the bottom up. Local institutions can be the building blocks for this politico-economic restructuring.

As we have seen, global economic shifts are played out at the local level, as the actions of distant corporations change the demand for labor and deeply affect the lives of residents. Local governments are constrained in this realm of activity, specifically restricted from taking actions deemed to curb commerce or restrain the movement of business. Although there is nothing to prevent a municipality from attracting a corporation through the use of local tax funds and other resources, on the other hand, no local government can prevent the same firm from leaving and removing assets, even those built from a community's taxes and other public resources.[5] Moreover, in spite of local governments' apparently increased responsibilities, federal cutbacks have undermined their ability to raise revenues from any source sufficient to meet the needs of the local poor population. To really perform adequately, local governments would need expanded authority to raise revenues, area-wide powers to regulate plant locations and plant closures, and enhanced powers to utilize unused private property for the public good. The weakness of localities has been a growing problem, as we have learned above and will see in more detail below. In addition to historic and legal weakness, cities have been hurt as globalization of industry has reduced their economic influence, as the rising expectations generated by increased federal support have been dashed by withdrawal of that support.[6]

Municipalities and community organizations have gained and lost responsibilities, citizens' expectations have risen and fallen, and resources have flowed in easily or, in bad times, drained out.

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[5] Giloth and Mier, "Playskool."

[6] As an alternative perspective, Hymer, "The Multinational Corporation," long ago proposed trans-national governments to counterbalance corporations; Galbraith, American Capitalism, hoped for countervailing power, etc.; Jacobs, Cities, takes these arguments half-way in the other direction, arguing that local economies, not polities, are constrained by outside forces.

In the best of times, local governments and community institutions have used their political powers and some of their resources, usually in the form of public facilities like schools, parks, and churches, or in payments for community welfare--to meet their residents' rising expectations. At other times, when funds are scarce, whether local agencies care or not, they can do very little to help the neediest citizens. Economic and political circumstances make an enormous difference.

Unfortunately, at all levels of sub-state government, including cities, counties, and regional governing bodies, resources are inadequate to identify and fashion decent options for the poor. Local governments, as creatures of state government, are without independent legislative and initiative authority. As a result, they are limited in dealing alone with the ills of persistently poor communities. Local governments have only weak police powers designed for specific purposes of protecting the community from health and safety failures, rather than promoting any course of action to redress social or economic dislocations or inequalities. They have virtually no independent authority to marshall or control resources within their borders in order to generate or redistribute wealth.

Local governments do, of course, act as distributors and even allocators of federal and sometimes state government resources, and within rather narrow boundaries their decisions even now can make real differences. Since the mid-1960s, local governments have assumed increasing responsibility for the social welfare needs of their citizens. The federal War on Poverty, the Model Cities Program, and the Housing and Community Development Acts, combined with other legislation in job training and social services, led to more involvement and created the perception that local government has a direct responsibility for alleviating poverty and other socio-economic ills. While local institutions have been given the mantle of responsibility for the problems associated with these programs, they have not been provided with any special resources or authority to deal with them.

In recent years, a particularly unfortunate combination of trends and events has conspired to make most local institutions, both public and private, fall far short of expectations. To begin with, in the decades after the Second World War, rapidly rising federal expenditures and expanding municipal property taxes, as well as newly introduced state income taxes, were available to improve civic infrastructure and provide for expansions in social welfare. Later, programs transferred from Washington greatly increased the visibility of local governments and community organizations. Political developments and social achievements led to even higher expectations. Then, in the 1980s, economic cut-backs, rapid suburbanization of people with higher incomes, budget cuts in federal social programs, and collapsed central-city tax bases led a retrenchment that has diminished local institutional capacity to meet both traditional and new social objectives. Even the limited resources now available to cities are usually turned to other matters, such as competition for business growth. Community groups, ranging from public charities and churches to non-profit community-based organizations, are now faced with threats to organizational survival and questions of capacity and legitimacy, because their mandate has expanded and their workload increased, while their funding sources have diminished.

In part, the problems of U.S. cities are highly unusual and special to national circumstances. In some ways, however, the problems are recognizably on an international continuum that spreads from cities unable to cope with new international demands, all the way to some remarkable successes. At one extreme, take Hong Kong, with its crowded seven million people living adjacent to China's immensity. Hong Kong is certainly outside the range of American experience, but it is nevertheless instructive as a counterpoint, an example of what municipal authorities can do with their authority and resources. Because this city-state is known for its welcoming, low-tax treatment of enterprising capitalists, we might expect it to be particularly stingy with public funds for serving citizens. For many years, however, Hong Kong authorities used growing municipal budgets to build public housing for virtually the entire population in the city, thus averting a crisis of homelessness in spite of particularly rapid city growth, fueled by migration that landed millions of very poor people on the small island.[7] Municipal budgets grew in Hong Kong partly because of the foresight of the city leadership, who responded energetically to crises (such as floods and the destruction of housing) and who foresaw that a population housed inexpensively and well would be an economic asset to business. But budgets grew also because Hong Kong took advantage of factors far beyond its control: an excellent location, the peculiarities of international geo-politics, the colony's history in British banking and finance, decades of nearby wars that led to high expenditures by foreign powers, the transfer of assets and production from the industrial countries themselves, and the long post-war boom in the world economy. Under such circumstances, the latitude for positive and generous municipal activity was considerable, and in this case the Hong Kong authorities took full advantage. American cities might learn by examining such experiences and looking for opportunities to take charge.

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[7] Castells, The City and the Grassroots.

At another extreme on the international continuum, take Amsterdam, Stockholm, Bonn, or Sidney, cities where the local authorities are generously and rationally assisted by earmarked or proportionally distributed national funds and guaranteed sufficient authority to deal sensibly with such potential problem areas as housing, health, child care, and education. Distinctions among rich and poor city districts are greatly muted, access to public services is much more generally available, regardless of income, and the burdens of industrial change are much more broadly distributed, so as to avoid the double burden of joblessness and strapped municipal budgets.[8]

In the past two decades, ever since the Nixon administration, there have been a progression of cutbacks in federal aid to poor people and poor places. In order to meet the needs of poor communities, more local power and more resources are required, but there is a marked decline in the resources devoted to economic revitalization of inner cities and a diminution in local authority. There is no sign that the Bush administration will reverse the process that started with Nixon and was enforced under Reagan. These reductions reflect a general decline in public support for dependent people, as well as a continuation of the so-called New Federalism, ostensibly aimed at decentralizing the locus of decision-making from Washington to the states and municipalities.

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[8] Friedmann, "The Barrio Economy," and Castells, The City and the Grassroots, in numerous places cogently discuss these broad issues of territorial power versus the global ("functional") economy.

In this chapter, after a discussion of earlier expansion of federal responsibility for social welfare (e.g. community health, education, maternal & child welfare, and jobs & training), and of subsequent federal withdrawal from these programs, we explore the attempts by local governments to meet the challenges of poor people and poor places in the absence of legal, political, or economic capacity.

## ALTERNATIVE VIEWPOINTS--REJECTING THE REACTIONARIES

There are many lenses through which one can interpret poverty policy. Before we go on, we must once again deal briefly with a much popularized but nevertheless flawed argument, so that we will later not be distracted by the tendency in much contemporary discussion to trivialize systematic causes of poverty, while greatly magnifying the problems associated with individual behavior. On the one hand, the rise of the welfare state in the twentieth century can be seen as step three in a see-saw struggle for the "development of true economic and social citizenship,"[9] which began with civil rights of speech, thought, religion, and justice, then worked out political rights extending the vote, and finally turned to social and economic rights, "recognizing that minimum standards of education, health, economic well-being, and security are basic to the life of a civilized person."[10] Dropping down on the see-saw, we now seem to be in a period when reactionary rhetoric is particularly prominent. It is well to remember, however, that at each stage there may be progress and then reaction that attempts to undo the most recent developments.

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[9] The term is from T.H. Marshall's 1949 lecture, cited by Hirschman, "Reactionary Rhetoric."
[10] Hirschman, "Reactionary Rhetoric," p. 63.

These ideological backlashes stem not simply from gloomy estimates of human capacity, as in Burke on revolution or Malthus on starvation, nor only from hatred by the privileged classes that derives from their fear of the common people.[11] The reactionary moves are strongly supported also by the theoretical predispositions of the social sciences, especially the myth of self-regulating economics, which allows free-market enthusiasts to denounce strongly "perverse" effects from progressive interferences with the "natural" laws of supply and demand. Charles Murray's Losing Ground is one of the recent examples, but it simply echoes centuries of reaction to these stages of progress.

The national ideological onslaught of the last 20 years against redistributive policies has been widely justified in terms of national economic policy. Although the most hateful, reactionary, and racist underpinnings of this policy have been normally (but not always) kept out of sight, the agendas of free-market economists and other arch-conservative social scientists have been transparent. We have been bombarded with attacks of "counter-intuitive" reasoning. Simulation models are designed to show that "[a]t times programs cause exactly the reverse of desired results." It is claimed that "[o]ur efforts to deal with distress themselves increase distress." Conservatives argue that "[w]e tried to provide more for the poor and produced more poor instead.

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[11] Note Jack Kemp's comment about senators being uncomfortable with the guys in pro football locker rooms; Brazilian President General Figueredo's preference for the smell of horses over people.

We tried to remove the barriers to escape from poverty, and inadvertently built a trap."[12]

These flawed expectations of counter-intuitive, reversed, and inadvertent consequences of progressive social policy exist more in the flawed reasoning of the right-wing critics than in reality. "There is actually nothing certain about such perverse effects."[13] It is claimed, to take but one example, that minimum-wage legislation dries up jobs for the poor by making labor too expensive. But it could be that a higher legal floor to wages would have precisely the intended salutory influence, "a positive effect on labor productivity and consequently on employment."[14] As the terms of public debate have shifted to frame a less compassionate view, it has become more and more difficult to defend perfectly reasonable attempts to improve basic conditions for the poor.

But this is not all. In fact, even legislation purportedly enacted to benefit the poor directly has, throughout history, been very often intended by its authors (or manipulated by others) to control the poor.[15] It is in these senses that the American reaction against the poor in cities has been most powerful and most pernicious. Leaving American cities in much bleaker circumstances than most European cities or in some ways even Hong Kong, a negligent federal government, in the guise of promoting states' rights and home rule, and surrounding itself by claims that localities know best what they need, has used the pressures from a changed international economy to justify turning back decades of progress, to continuously shift power and privilege away from the cities and the poor to the rich in the suburbs. In these circumstances, it should not be a surprise that cities do not have the capacities or the zeal to adequately address problems of poverty.

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[12] Forrester, "Counter-intuitive Behavior of Social Systems;" Glazer, "The Limits of Social Policy;" and Murray, Losing Ground, all quoted by Hirschman in his "Reactionary Rhetoric," p. 69. Hirschman comments on Murray: "almost any idea that has been out of view for a long time has a good chance of being mistaken for an original insight."

[13] Hirschman, "Reactionary Rhetoric," p. 68.

[14] Hirschman, "Reactionary Rhetoric," p. 72.

[15] Piven and Cloward, Regulating the Poor.

## The State, the City, and the People: Reshaping Local Roles

To see why the reactionary arguments are so deeply flawed, we must study the historical evolution of the interconnected activities of the federal and local governments in dealing with the economy, poor families, and regions in trouble. We begin by documenting the expansion of the federal role in dealing with urban poverty since the beginnings of the 1930s, which first provided assistance to the deserving poor, but left problems of localities to local institutions themselves. Later, federal attention turned aggressively to focus on places instead of people, city neighborhoods in particular. Finally, federal policy turned back to people, with the focus on "problem" families (partially blaming the victims). Throughout these ups and downs there were sometimes complementary and sometimes competing roles played by state and local governments, churches, and locally based charities. In the next two sections we will provide more detail about the drastic withdrawal of federal resources from the locally based struggle against urban poverty and its debilitating effects on both people and place. For now, we will focus on federal expansion with general welfare programs, communities, and family intervention.

## The Expanding Federal Role

To examine the recent reaction properly, we must first review the period of progress. It can be plausibly argued that major policies well established in the nineteenth century to prevent the growth of inequalities.

> The past 100 years of American economic history show government deliberately adopting policies to prevent the growing inequalities that all too often seem to be arising. In the last half of the 19th century the Interstate Commerce Commission was established and antitrust laws were enacted to stop a growing concentration of wealth and to prevent that wealth from being used exploitatively. The railroads were not to be allowed to exploit their economic advantage over farmers and the oil trust was not to be allowed to exploit the urban consumer. Compulsory education for all was established to create an egalitarian distribution of human capital and more marketable skills in order to prevent large inequalities in earnings. In the 20th century inheritance taxes and progressive income taxes were adopted to lessen inequalities.[16]

The government's first efforts to provide national resources to fight poverty occurred in the Great Depression of the 1930s.

> The rising inequalities of the great depression brought Social Security, unemployment insurance and eventually medical insurance for the elderly and the poor to prevent people from falling out of the middle class when confronting unemployment, illness, old age and other harsh facts of life...[17]

National programs were created (the Works Progress Administration, Aid to Families with Dependent Children, Social Security, Unemployment insurance, the Civilian Conservation Corps, and others) with the express design of building a broad national safety net, a floor, to support people, hold them above poverty and dependency. Within this broad framework, local efforts were supported and encouraged to relieve poverty through better economic opportunity. The federal government concentrated on programs to enhance individual (and therefore family) economic security. Local institutions retained the responsibility for improving the conditions of the places where poverty occurred. A great deal of discretion was left to local government; there was no federal design for either urban or rural policy, as we have subsequently come to call them.

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[16] From Scientific American, quoted in Thurow, "Surge in Inequality," p. 36.
[17] From Scientific American, quoted in Thurow, "Surge in Inequality," p. 36.

The Social Security Act of 1935, which was the heart of the national effort, put into place the basic structure of the American welfare state: general relief for the so-called unemployables, funded by the localities and states; work relief for employables, paid by the federal government; social insurance providing pensions to the retired and temporary relief to the jobless; and categorical public assistance to needy blind, aged, and dependent children.

The Work Progress Administration, established as a work relief program in 1935, was designed to cope with a situation of massive unemployment and "create future wealth for the nation," as well as "preserve a man's morale, by giving him a chance to do something useful." As it turned out, the WPA never employed more than 39 percent of the 8 to 11 million unemployed. Moreover, because of hostile local management, the make-work nature of the jobs, and the low pay, the morale of many WPA participants did not improve.

Even at the time, top policy makers realized that the American body politic had a very limited capacity to target resources specifically to the poor. As the saying went, "a program for the poor was a poor (politically vulnerable) program." This reluctance to help the "undeserving" poor was clearly seen in the state and local response to the general relief program. Especially hard-hit were the millions of people migrating around the country searching for communities that would give them a chance. In fear of a drain on local resources, many states and cities erected residency requirements as barriers to prevent poor people from staying. States like California even introduced border checks designed to keep out the riffraff from the Mid-West and South. A number of California cities introduced stringent vagrancy laws aimed at the drifting poor.

Local officials also minimized relief expenditures by telling almost everyone--including aging workers without skills, women with dependent children, and the temporarily disabled--that they were employable and thus not eligible for assistance. Similar problems of excessive local control plagued Depression-era categorical-assistance programs, particularly the portion concerned with aid to dependent children. Southern states and proponents of "states' rights" won provisions in welfare legislation allowing them to apply prejudicial conditions to exclude recipients. State laws requiring property ownership or the absence of a criminal record permitted many local officials to discriminate against Black or Mexican-American households.

Local governments were not eager to administer the welfare state, and they invested much energy in controlling its growth, even by denying benefits to the legally eligible. But despite this and other imperfections, the new programs made progress in dealing with the problems of the poor. During the 1930s, some 46 million people, 35 percent of the population, received public aid or social insurance at one time or another. Public funds for these programs scarcely existed in 1929; in 1939 they amounted to $5 billion, 27 percent of government expenditures at all levels and seven percent of the national income.[18] These constituted dramatic improvements in federal capacity to keep individuals functioning in the economy and society.

The essential components of the American welfare state stayed the same for the next three decades, until the Civil Rights movement brought attention once again to the large numbers of disenfranchised and poor people in the country. Lyndon Johnson's declaration of War on Poverty in 1964, and the Kerner Commission and Moynihan reports a few years later, were all high-profile government attempts to raise attention to poverty and marshall national resources for addressing it. The urban riots and rebellions of the 1960s signalled a transition in the national role in fighting poverty from supporting poor people to altering poor communities.

Because the War on Poverty and the simultaneous Civil Rights movements expanded in several directions, it is difficult to measure their overall effects. From the early 1960s, the federal government set about a gigantic expansion of funding for assistance to poor people: the Food Stamps Program is an outstanding example. Geared to entitlements that were awarded automatically to eligible citizens, these programs continued to grow until cutbacks limited them in the early 1980s. The government also expanded aid to the central cities, where many of the poor lived, by means of health, housing, and economic development programs targeted at pockets of poverty and unemployment. Municipalities accumulated authority, as did local federal offices, through the decentralization of community assistance programs. At the same time, unelected citizens' groups, neighborhood associations, and other community-based organizations gained in political power as they were funded by federal programs that circumvented city halls. Some of the successes have been more permanent than others: The community-based programs were challenged from the beginning, and now even the general transfer programs are threatened.

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[18] Paterson, America's Struggle, pp. 60-76.

## The Community Welfare State: The Neighborhood as a Policy Unit

Faced with activities that were sometimes considered open rebellion, the federal government, in 1963-1965, tried to focus attention on the problems of poor neighborhoods. For example, the Kerner Commission report, which investigated the underlying circumstances that precipitated the Black neighborhood riots of the late 1960s, concluded that "only a greatly enlarged commitment to national action . . . can shape a future [for these communities] that is compatible with the historic ideals of American society."[19] The commission not only called for an end to racial discrimination, but it also called for a much more aggressive federal role in fighting unemployment and improving education, housing, and welfare policy at the neighborhood and city level. For example, the report called for improvements in the coordination of the hundreds of employment programs already funded at the local level, as well as the creation of new federal programs that would create one million new jobs in communities in both the public and private sectors.[20]

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[19] Kerner Commission, Report, p. 221.

Declining economic opportunity in cities was associated with a lack of political power and with problems of race. This combination led to the muddled concept of political poverty at the local level, mixing up the struggles for civil righs and expanded economic opportunities.

> [T]he new concept--political poverty--extended to many problems of exclusion and unequal access also covered by civil rights. Amorphous standards, such as citizen participation, increasingly competed with familiar but powerful judicially developed approaches to discrimination. Thus, the concept of political poverty began to obscure both civil rights and economic poverty from the standpoint of policy and program operations. There was no consistent method for differentiating between problems of poverty and those of discrimination, between racial groups and poor groups; nor was there any clear way to treat the areas of overlap. . . . The programmatic effects are to be seen in the great confusion attached to the designation of program constituencies.[21]

The role of the neighborhood as a policy unit originated during the War on Poverty in partial response to the urban riots. In response to claims that big-city political machines practiced intentional bias, and to the obvious connections between race and poverty, national policymakers actually bypassed municipal government. A vast array of federal programs was organized to service poor neighborhoods as if they were isolated from the main urban economy. The favorite analogy of the period was to compare urban neighborhoods with colonized, dependent, third-world nations.[22] This concept of the neighborhood as a locus for policy making was embodied in national legislation. For example, the Model Cities law required the formation of neighborhood advisory boards for the allocation of federal funds. The Carter Administration went even further in strengthening the role of neighborhoods by establishing a bureau to deal with neighborhood development and control. Under the Carter Administration, HUD produced nearly one hundred categorical programs designed specifically for neighborhood revitalization, preservation, economic development, or political and social empowerment. All these programs operated under the general belief that elected municipal government was not trustworthy to deal effectively or in some instances fairly with the needs of depressed communities. It was clear from the outset that political poverty was the central target of the neighborhood movement. Economic poverty became lost in the shuffle:

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[20] Kerner Commission, Report, p. 223.

[21] Landau, Race, Poverty and the Cities, p. 32.

> The objective of neighborhood preservation (power) was so imprecise that all kinds of commercial and residential interests could employ this goal to justify their own pursuits. Upper-income residents used it to oppose the location of airports, hospitals, and highways, which provided jobs for lower-income groups. Minorities and labor used the concept to compete for

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[22] Blauner, "Internal Colonialism;" Goldsmith, "Ghetto."

> more equitable shares of development projects. Progressives used it to challenge federal support for corporate development of central business districts. In fact, neighborhood became a spatial metaphor for all manner of existing urban conflicts: ethnics vs. blacks; renters vs. landlords; small vs. large property owners; making the context of inter-governmental politics ever-changeable. Sometimes neighborhood and City Hall were allied against the Feds; sometimes neighborhoods allied with the Feds against City Hall--and so it went in shifting cycles of alliance and opposition. Some community organizations invented such novel concepts as the 'property rights' of neighborhoods to oppose the right of eminent domain; whereas progressive urban planners saw neighborhood as an opportunity to establish principles of decentralized planning; or still again, to develop substantive alternatives to traditional commercial revitalization, as in Russell's industrial conversion plans for Detroit.[23]

Policymakers hoped by increasing political participation of disenfranchised groups, they could foster the reconstruction of political and social institutions. The Community Action Programs, with their mandate for "maximum feasible participation," serve as a good example. By galvanizing poor and minority political communities, the federal government hoped to increase the likelihood that locally administered programs would actually meet these groups' needs. "Local Leaders, already experiencing resource limitations, suddenly were faced with federally sponsored groups which insisted upon added redistributive service-delivery programs."[24]

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[23] Landau, Race, Poverty and the Cities, p. 37; Luria and Russell, Rational Reindustrialization.

> We now think of the sixties as a time of faith in big government, but it wasn't. The War on Poverty looked for solutions to poverty that would be local and diffuse, and would circumvent state and local government and Congress. This earned the enmity of members of Congress, mayors, governors, and Cabinet secretaries, so the War on Poverty was in trouble politically from the start. Its planners hoped to build public support for it by achieving quick, visible successes, but in setting up hundreds of separate anti-poverty organizations run largely by inexperienced people, they practically guaranteed that there would be quite a few highly publicized failures. These turned public opinion against the War on Poverty.[25]

Because federal expenditure for poor communities is so much smaller today, it is easy to overlook the fact that these programs themselves attempted to leverage local capacities that were often strained. By creating (often short-lived) community groups, the federal government hoped not only to appease minorities' demands for political participation, but also to raise local resources:

> Community action was designed as a strategy for fighting city hall, the schools, the housing authority, and the police. It was designed...in Washington D.C.,

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[24] Peterson, City Limits, pp. 212-213.
[25] Lemann, "The Unfinished War."

> to provide creative conflict--to shake up remote and sluggish [city] bureaucracies.[26]

## The Family as Poverty Policy:

Whether or not one agrees with the premise behind the document, it is noteworthy that Moynihan's The Negro Family: The Case for National Action was once again an attempt to mobilize policymakers around a new way of attacking poverty. Although he did not make specific recommendations, Moynihan's clear conclusion was that poverty is so deeply-rooted that it defies piecemeal efforts of cities and states.[27] Moynihan's analysis and insights, which led to several components of the War on Poverty, represented significant progress. Programs varied widely and represented a sizable commitment. Food Stamps, which were initiated earlier in 1964, were later greatly expanded.[28] Title I of the Elementary and Secondary Education Act of 1965, Upward Bound, Head Start, Follow Through, and a number of other programs were created to reduce educational disadvantages of the children of the poor. Although there was a slowdown in the increase in these expenditures in the late 1970s, there was dramatic increase from 1965 to 1980 in resources targeted toward the poor. Medicaid and public housing had real growth rates of about 14 percent per year, and the food stamp program grew by 30 percent per year. In addition to spending more money, the federal government contributed a greater percentage of social spending. For example, its proportion of total government transfers to persons rose from 80 percent in 1965 to 86 percent in 1980.[29]

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[26] Yates, The Ungovernable City, p. 51

[27] Rainwater and Yancey, Moynihan Report.

[28] Palmer and Sawhill, The Reagan Experiment, p. 370.

Looked at slightly differently, urban outlays rose from 2 percent of the total federal budget in the mid-1960s to between 10 and 12 percent in the 1970s. The bulk of these expenditures were for health, welfare, and housing, including many "poverty" programs. This gigantic increase, from an expenditure of only two billion federal dollars in 1967 to nearly 29 billion in 1978, rose in real terms more than 5 percent each year.[30]

The War on Poverty was designed to enlarge economic entry points. The weakness, of course, was that it looked for deep roots in individual, family, and community problems, not in more basic and impersonal affairs. There was no attempt to rearrange fundamentals--to challenge corporate policies, to increase the power of employees, to redistribute power over production resources, to limit the greed of elites. The legislation forming the anti-poverty campaign [did not include] any proposal to overhaul and extend the income transfer and welfare system."[31] There was no attempt to alter either the economic structure (and therefore the basic structure of opportunities) or the income distribution directly. There was a general belief that political power for Blacks, Latinos, and other minorities would translate into economic power as well.[32] There was hostility to structural reforms, and at "the level of practical politics there was (and still is) a fundamental hostility in Congressional and public opinion to the idea of an American welfare state, especially one that gives money to the poor."[33]

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[29] Quigley and Rubinfeld, American Domestic Priorities, p. 4.
[30] This caluclation uses a special urban price deflator. The growth rate of expenditures appears even more rapid using the CPI as deflator. See Goldsmith and Derian, "National Urban Policy," and Goldsmith and Jacobs, "The Improbability of Urban Policy."
[31] Yates, The Ungovernable City, p. 51.
[32] Peterson, City Limits, p. 181.

The War on Poverty can also be seen as part of a trend moving responsibility for poverty to the local level. Since the late 1970s, this trend has been greatly accelerated, but the resource base has diminished. The federal government, which initiated this new role for local institutions and originally transferred resources, has shrunk from its former responsibility and now refuses to supply funds.

## RECENT TRENDS IN FEDERAL POLICY: NARROWING STRUCTURES OF OPPORTUNITY, SHRINKING TRANSFERS

Against this ever-changing background, what has happened recently? How have federal, state, and local conditions and policies changed? Two major trends can be identified, one in the "production" of poverty, the other in its "treatment." First, recent national policy has not prevented the increasing concentration of wealth and income among a small percentage of the population and its counterpart, relative deprivation of the poor. Federal, state, and local policies have generally neglected attention to the structural bases of poverty--actions of corporations, the shifting income distribution, and the decline of the middle class; and they have also failed to counter declines in regional economic fortunes and the increasing advantages of suburbs. Policies have often established or reinforced the conditions that generate or aggravate spatial, occupational, and social disparities, including the concentration of poverty. Lately, public authorities have also reduced their efforts against racism and sexism. Second, already meagre federal support for redistributive policies, especially through taxes and transfers, has lessened. As a consequence of declining federal support for redistributive programs, the burden has fallen even more than before upon local and state governments, which are largely unable to assume the responsibility for solving the problems of poverty.

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[33] Lemann, "The Unfinished War," p. 43.

Legal restrictions limiting capital mobility and regulating corporate activities (structural policies adopted in the 19th century to restrain the concentration of wealth) have been abandoned in the late 20th century in favor of less consequential tax and transfer programs.[34] Although programs have targeted transfer payments to reduce poverty, these have had relatively little effect as compared with policies that permit increased mobility of capital, encourage more offshore investment, or deregulate industry (thereby permitting greater concentration of wealth). Even the most explicit urban policy, aimed at reconstruction and some redistribution, often has less effect than the side consequences of "implicit" urban policies, such as defense procurement subsidies, investment tax relief, or transportation programs.[35]

Most federal anti-poverty programs are targeted either to provide more employment opportunities for the poor or to lessen the worst ravages of poverty. These programs have become less effective in providing real opportunities that prevent poverty, and they have become weaker in their ability to transfer funds to help those who are already poor. Aside from the do-nothing, laissez-faire, benign-neglect approach so popular among conservatives, we can identify three others that are often considered. The first approach aims to stimulate either the national economy or particular industries, the second attempts to revive local or regional economies, and the third targets resources either to people or their communities.[36]

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[34] Thurow, "Inequality."

[35] Goldsmith & Jacobs, "The Improbability of Urban Policy;" Castells, City and the Grassroots; and Mills, "Non-Urban Policies." See also Vaughn "Federal Policy," for a review of this literature.

The first approach towards poverty relief is either the use of monetary or fiscal policies to stimulate overall economic growth, which would then trickle-down to the poor in the form of new jobs, or to hasten industrial transformation. Such approaches are advocated by many who focus on bolstering U.S. competitiveness. While overall growth is an important base for maintaining the standard of living, it cannot alone resolve the problem of concentrated and persistent poverty. For example, unemployment and underemployment rates for Black youths hardly respond to increases in the aggregate demand for labor. To take a hypothetical case, in 1971 if the adult male unemployment rate had been reduced to an unprecedented low 1.5 percent, the Black youth unemployment rate would have barely fallen, from 32 percent to a still unacceptably high 25 percent.[37]

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[36] This section draws heavily upon Salinas, "Urban Growth," in which six approaches are defined.

[37] From Feldstein, "New Unemployment," a 1 percent drop in unemployment rate for adult males would lower black youth unemployment rate by .26 percent (cited in Salinas, "Urban Growth," p. 265.)

Moreover, national-level policy affects cities and regions differentially. Regions specializing in the production of durable goods, for example, are likely to have more volatile cyclical patterns than regions concentrating in services or agriculture.[38] Likewise, tax and social spending policies typically promote some cities and regions and depress others. The 1981 Economic Recovery Tax Act (ERTA) which permitted lowered tax rates for new investment, gives a more advantageous tax status to new, short-lived equipment than to structures or long-lived assets. These biases in the tax rates encourage firms to "scrap and abandon [an] otherwise productive asset" and make it more likely "that older plants (often in older, larger cities) will be closed and new investment will take place in newer, growing regions."[39]

Some anti-poverty programs emphasize the promotion of industries that provide greater opportunities for minority upward mobility. As discussed in Chapters Three and Four, many barriers that prevent the poor from getting upwardly-mobile, primary-sector jobs, including industrial decline, rising skill requirements, discrimination, and polarized job qualifications. The promotion of primary-sector jobs in itself, therefore, may not result in increased opportunities for the poor. The alternative approach, focusing on creating easily available jobs, generally results in low-wage unstable secondary sector jobs.[40]

Most occupations are shut off from the poor. In one study, only 32 of 347 occupational categories were accessible to the long-term subemployed and offered upward mobility. Most of these occupations are in high-tech manufacturing, producer services (transportation, communications, wholesale trade, financial, legal, and engineering services), or health and education. The narrow limits of some of these sectors demonstrate the relatively few opportunities for "good" jobs for the persistently poor: they comprise a small percentage of total jobs, and even these patterns of accessibility and mobility may not last.[41]

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[38] Victor and Vernez, "Employment and Cycles."

[39] Bergman, Local Economies in Transition, pp. 22-23.

[40] Salinas, "Urban Growth," uses Social Security Continuous Work History 1% Sample (CWHS) data for three-digit Standard Industrial Classification (SIC) codes (Table 12.4, p.267, SICs).

The second approach targets particular places for economic development, those with lower growth rates or higher concentrations of unemployment (as in programs administered by HUD or EDA). Local economic growth is expected to create jobs that will directly or indirectly benefit the poor. These programs, with their potential to create jobs in distressed areas, were emphasized in the urban policy of the Carter administration, but following the Reagan administration's "reliance on market economic forces to ameliorate the problems of the cities," even this sort of targetting is neglected.[42]

While it is clear that unassisted and uncontrolled market forces are not reducing poverty (as we had argued in earlier chapters, they tend to create poverty), it is nevertheless unclear whether or how much the planning of local economic development helps. It is not even clear that growth itself necessarily helps. At least one study finds that neither underemployment nor upward mobility for the "long-term subemployed" are significantly affected by metropolitan employment growth. Such growth seems not even to result in shorter spells of individual subemployment.[43] Another study suggests that even when there are decreases in overall unemployment within metropolitan labor markets, this advantage may not diffuse to lessen the unemployment of Black youths.[44] Consistent with these findings of lack of connection between local economic development and the needs of the persistent poor, some even argue that place-oriented development programs are largely responsible for keeping disadvantaged people tied to distressed areas; "a large minority underclass has become anchored in localities of severe employment decline" because investments are wasted on place-specific infrastructure rather than being devoted to promoting mobility.[45]

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[41] Salinas, "Urban Growth."

[42] James and Blair, "Local Mobility," p.271.

Taking the third approach, other programs target people and emphasize how individuals can changethrough training or relocation--to make them more attractive to employers, or they focus on community development. Training programs assume that potential employees lack the education or skills for available jobs, a mismatch which can be expected to worsen in times of rapid technological change. Unfortunately, skill levels and education are often not the basis on which employers hire.[46] Although new skills, or at least basic education, are needed to get many of the jobs in growing sectors, labor market barriers based on race, ethnicity, or gender "often prevent even trained, potentially productive workers from getting decent jobs."[47]

Another people-targeted program advocates relocation of the poor to growing areas, away from declining ones. This was proposed as a structural response to the shift of employment growth to the South, West, and other selected areas by Jimmy Carter's President's Commission for a National Agenda for the Eighties. But evidence on migration, job acquisition, and upward mobility in the 1970s and 1980s suggest caution. The upward mobility of underemployed people who moved from distressed areas provides little improvement over the condition of underemployed people who stayed at home:

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[43] Salinas, "Urban Growth," p. 265.
[44] Feldstein, "The Economics of the New Unemployment."
[45] Kasarda, "Transforming Cities," p. 304.
[46] See Bowles and Gintis, Schools in Capitalist America and Piore, "Historical Perspectives."
[47] Salinas, "Urban Growth," p. 268.

> moving to the booming South/Southwest from another region actually reduces the probability of at least immediate upward mobility compared to not moving. Moving to the West from any other region except the South/Southwest also reduces the probability of upward mobility (moving from the South/SW to the West raises the probability of upward mobility by an insignificant 0.3 percent).[48]

and

> unemployment rates in low-skilled occupations and among minorities are high relative to the rates for skilled workers and non-minorities, even in economically strong cities. This raises the possibility that migration of sizable numbers of disadvantaged workers from shrinking to growing metropolitan areas might have the result of displacing some of the disadvantaged workers already in growing cities.[49]

Community-based economic development, advocated first in the War on Poverty, "looked for solutions to poverty that would be local and diffuse, and would circumvent state and local governments and Congress." "Community action . . . was based on the idea that only through local efforts--in fact, only through efforts inside the poorest neighborhoods--could the government increase opportunity."[50] As we have seen, the strategy encountered opposition, and support for community development has dropped in the last decade. Furthermore, evaluations of community development corporations' success at promoting good jobs for the poor have been mixed.[51]

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[48] Salinas, "Urban Growth," p. 261.
[49] Phillips and Vidal, "Growth and Restructuring," p. 82.

As suggested by this brief review, few of the policies adopted by the federal government address the structural roots of underemployment, unemployment, and poverty. Rather than taking a focus on the employment practices and occupational trends in industry, policy focuses on the skills of potential employees. Furthermore, instead of bolstering at least those programs (which have some demonstrated success at protecting the wages and employment opportunities of American working people), recent administrations have deregulated industries and banks, thus encouraging financial speculation, and they have undermined such social regulations as OSHA and the NLRB. Federal government support for basic redistributive policies, especially through taxes and transfers, has lessened during the last decades. As a consequence of declining federal support for redistributive programs, the burden has fallen upon local and state governments, which are largely unable to assume alone the responsibility for solving the problems of poverty.

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[50] Lemann, "The Unfinished War," pp. 38 and 46.
[51] Salinas, "Urban Growth," cites Abt Associates, An Evaluation, Stein, "How Successful are CDCs," Perlman, "Grassrooting," and Daniels, Barbe, and Seigel, "New Office."

## SLASHED POVERTY PROJECTS: FROM NEW FEDERALISM TO A KINDER NATION

Ronald Reagan came to the Presidency claiming a mandate to change the nation's course. He intended to reduce taxes by elevating the state tax revolt to the national level; end inflation, leaving ample space for generous military budgets and business subsidies; reduce the commitment to expanding civil rights for minorities and women; and slash the size and scope of Washington's transfer payments to people and places.

To cut the transfer payments, the Reagan White House moved to increase the responsibilities of local governments and the non-profit sector for "local" problems, reversing the long budgetary increase by which the federal government had usurped and expanded what was traditionally a local role. In the Reagan view, financial dependence on Washington had made cities lose their vitality and capacity to meet local needs. To encourage the renewal of local vigor, the administration reasoned that the federal government should withdraw funds. Accompanied by reduced federal taxation, this strategy ostensibly would allow localities the opportunity and resources to fulfill voters' desires more directly and more efficiently, using expanded local resource bases.[52]

Although the White House acknowledged that federal cutbacks might reduce the welfare rolls, they claimed this was to be done humanely, so none of the "truly needy"--defined as those who should not be expected to work--would be affected. Fewer individuals would receive benefits from programs, and those remaining on the roles would receive reduced benefits, but the national "safety net" would remain in place for the truly needy.[53] Poverty program cutbacks were particularly severe, putting additional strains on local governments.

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[52] Palmer and Sawhill, The Reagan Experiment, pp. 10-11.

Since one of the administration's explicit goals was the reduction of the size of the welfare state, it came as no surprise that the first Reagan budget proposals decreased the commitment to AFDC and unemployment subsidies. Between the 1981 inauguration and fiscal year 1985, spending on unemployment programs decreased by 17 percent, and AFDC expenditures decreased 14 percent.[54]

The Reagan administration's cuts in anti-poverty programs were also manifest in its decreased expenditures for education. Since 1965, the centerpiece of the federal effort in compensating for differences in educational expenditures between poor and other children had been Title I of the Elementary and Secondary Education Act. By 1980, expenditures for compensatory education (which still fell far short of the need) had increased to $3.4 billion, from $1 billion in 1965. This money was administered through twenty-nine categorical grants targeted toward low-income students. The Reagan administration lumped these programs into one block grant, reduced the budget by 24 percent, and loosened the reporting requirements, thereby weakening the focus on the needs of poor children.[55]

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[53] Palmer and Sawhill, The Reagan Experiment, p. 17. Many have questioned whether or not this promise was fulfilled, and whether the administration's definition of the truly needy made sense, and whether their claims were cynical. (See Stockman's revealing statements about proposed cuts.)

[54] Quigley and Rubinfeld, American Domestic Priorities, p. 97.

The Reagan Administration's desire to reduce the welfare state, re-emphasize the importance of private markets, and reduce domestic spending also took the form of sharp reductions in funds spent for job training and employment opportunity. The White House took the position that federal responsibility was to provide training only to decrease "structural" unemployment, which results from drastic, long-term economic change, but not to provide jobs for those who suffer from the normal downturns of the business cycle. This change in philosophy was reflected by the substitution of JTPA (the Job Training Partnership Act) for CETA (Comprehensive Employment Training Act), at a time of double-digit unemployment. The proposed fiscal year 1983 budgets called for 65 percent cuts in programs for employment and training and 61 percent cuts in programs for economic development, compared to fiscal year 1981.[56]

According to its own statements the Reagan administration attempted to reverse the trend of increased federal involvement in local affairs, not only to reduce budgets, but also believing that coordination could best be done by local officials with minimal federal oversight. From 1974 to 1980, the federal government had become increasingly involved in the housing market, particularly the lower end, leasing available units with subsidies and developing or substantially rehabilitating others. Since the peak in the 1970s, federal aid for low- and moderate-income housing has been drastically cut. As an illustration, in 1980 HUD's budget authority was $55.7 billion; by 1987 this had been reduced to 15.2 billion. Most state and local entities have been unable to replace these funds.[57] Essentially then, housing resources have been shifted away from the poor, as builders and banks have become more dependent on market forces. The decline in financial support for public housing has been extraordinary.

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[55] Quigley and Rubinfeld, American Domestic Priorities, pp. 127-8; this consolidation was done with the Educational Consolidation and Improvement Act of 1981.
[56] Quigley and Rubinfeld, American Domestic Priorities.

In the fifteen years before the Reagan administration, the cost of health care had risen steadily, and federal health care expenditures had risen dramatically. For example, between 1965 and 1980, health care spending rose from 4.5 to 11.8 percent of the federal budget. In an odd reversal, the Reagan government proposed that Medicaid benefits be administered from the federal level, but only in return for greater state contributions to welfare benefits. This proposal apparently reflected the belief of many White House officials that federal administrators would be more willing than their state counterparts to restrict and reduce Medicaid spending. Although this swap did not take place, Congress did reduce the number on the Medicaid rolls by setting a ceiling on earned income for AFDC eligibility. States were given greater freedom to determine eligibility and benefits for some recipients. Many states did reduce the numbers of people using Medicaid, but that may have been more a result of state-level fiscal constraints than federal policy changes. Most states have avoided drastic cutbacks in eligibility or benefits.[58] The effects of these health care cuts on the poor are difficult to trace. However, we do know that a substantial number of people have recently entered the ranks of the uninsured, though this was not necessarily a result of the Reagan cuts. According to the Current Population Survey, the number of people under age sixty-five who report themselves as uninsured rose in 1982 to 53.7 million (16 percent of the population) up from 14 percent from 1979. This measure of the increase--about four million people--probably underestimates the real problem because of under-reporting.[59]

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[57] Schwartz, Ferloutu and Hoffman, New Housing Policy, 1981.
[58] Palmer and Sawhill, The Reagan Experiment, pp. 274, 287.

The best estimates for overall reduction of transfer payments to poor people and poor communities by the federal government since the end of the Carter administration show substantial cutbacks. In 1980, social spending consumed 54.3 of all government spending; by 1986, this had been reduced to 47.6 of total government expenditures.[60] Progress since the 1930s has not been completely undone by any means, but the new trend is clear. The responsibility for dealing with serious urban poverty has indeed been transferred out from the federal realm. Whether it can or will be picked up by local programs remains to be seen.

## POOR PLACES: MORE PRESSURE, MORE BURDENS ON LOCAL GOVERNMENTS

By the time the Reagan administration took office in 1981, the federal government's community-oriented anti-poverty efforts had already been consolidated into two primary programs: Urban Development Action Grants (UDAG) and Community Development Block Grants (CDBG). In keeping with its policies about the decreased scope of the federal government and the importance of local decision-making, the administration moved quickly to change the nature and reduce the scope of both of these programs.[61]

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[59] Danziger and Weinberg, Fighting Poverty, p. 115.

[60] U.S. Department of Commerce, Statistical Abstracts of the United States, 1989 edition.

Started in 1977, the UDAG program was designed to provide government assistance to real estate development projects that would contribute to the economic development of poor communities. Although the program was broad and affected 44 states, the formulas used in determining aid had originally been skewed to benefit older urban areas.[62] The Reagan administration successfully scaled back the program by two-thirds, from a high of $675 million in 1981 to only $216 million in 1988, an even more drastic cut when inflation is factored in.

Along with this reduction in funding has come a Congressional willingness to use the program to serve a constituent base instead of targeting the poor. Beginning with the last years of the Carter administration, the federal government broadened eligibility. This decreased concern for targeting has been accompanied by a more conservative approach to assessing results. Programs must now meet almost the same standards as any commercial real estate development deal. Both changes reduced the percentage of the funds spent on low-income communities. The original objectives of the program will not be fulfilled if this trend continues.[63]

The administration has also liberalized local discretion for expenditure of CDBG funds. Local officials can now use CDBG for anything that will help local governments keep themselves afloat, thereby neglecting poor people's needs by reducing benefits to the poor. As of 1987, about 65 cents of each CDBG dollar was spent in a poor community, in contrast to nearly 85 cents in 1980.[64]

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[61] The 1981 Omnibus Budget Reconciliation Act combined 57 categorical grants into 9 block grants, as well as cut the funding for these programs by 25 percent.

[62] National Journal, March 5, 1988, p. 596.

[63] Stephenson, "Policy and Premises."

In addition to these reductions in the CDGB and UDAG mainstays of the federal effort to assist poor communities, there have been other program reductions or eliminations. For example, the Reagan administration eliminated HUD's Neighborhood Self-Help Development Program, designed to help neighborhoods stabilize and revitalize, and this forced some neighborhood organizations to curtail their activities.[65]

According to the administration, the cutbacks in federal aid were to have been made up by an increased effort from state governments, local governments, and the non-profit sector. We will look at nonprofits later. Let us consider municipal government first. How much can we reasonably expect city governments to do to combat poverty? In order to address this question, we will look at the city's ability to raise revenue necessary to initiate major programs, the degree to which their constituents expect them to spend public funds on the poor, and the characteristics of city government, both current and historical, that might affect its ability to perform such tasks.

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[64] Dommel and Rich, "The Rich."

[65] Mayer, "Neighborhood Organizations," p. 44. The government has maintained the Neighborhood Reinvestment Corporation, which has the same goal, but provides only technical assistance, instead of direct federal grants.

## Limited Revenue

The ability of local governments to raise revenues for major new programs has been sharply eroded in recent years. Three primary reasons have been the reduction in federal aid to cities, the shrinking of the tax base, and the populist revolt against local taxes.

"Most states replaced less than 10 percent of the big (25 percent) Reagan cuts in fiscal year 1982."[66] How did cities and the poor fare, in relation to other communities? Governors and legislatures tend to place priority on statewide concerns and to de-emphasize programs targeted for special needs. This change typically took the form of adopting proportional formulas for distributing the funds, which represented a marked change from the distribution of many of the categorical grants on the basis of need. According to one estimate, aid to needy communities (excluding grants for payments to individuals) was slashed 23.5 percent between 1980 and 1985.[67] The reduction of funds from Washington occurred at a time when the sub-national governments could least afford to continue to fund programs from their own resources.

In order to understand how this sharp cutback affected local governments, it is important to remember that, for much of the post-war era, state and local governments expanded rapidly. As a percentage of GNP, the local-government sector grew from 7.9 percent in 1951 to 15.0 percent in 1975. This growth ended abruptly with the tax revolts of the mid-1970s. Between 1975 and 1981, state and local spending fell by nearly one-seventh, from 15 to 13 percent of GNP.[68] Thus, the Reagan Administration's cutbacks came on the heels of an unprecedented erosion in the power of state and local governments to raise revenue.

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[66] Nathan and Doolittle, The Consequences of Cuts.

[67] McGeary and Lynn, Urban Change, p. 298.

Federal reductions and local tax cuts affected the poor not only because of their magnitude, but also because of their distribution. The tax cuts disproportionately benefitted the financially better off. Federal military spending benefited regions already undergoing economic growth. In spatial terms, this meant that suburbs profited from the changes more than cities, and the Sunbelt was better off than the Frostbelt. In general, smaller and medium-size cities did better than large cities. The Frostbelt cities, and central cities generally, had the slowest economic growth and the highest social welfare program levels, and as the tax base in many was reduced, they were least able to generate local funds.[69]

## Shrinking Tax Base

The large-scale exodus in the last 20 years of white and Black middle-class citizens from the central city to the suburbs has caused a variety of changes in urban centers. One of the most significant is a reduction in the size of the tax base that many cities use to finance municipal services. There was no corresponding reduction in demand for services. In fact, although this change often ushered in new minority access to city institutions, it would be a mistake to think that city hall no longer faced pressures from the middle class. In a sense, keeping the remaining middle-class within the city's boundaries became even more important, and remaining middle-class residents have continued to influence policy-making.

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[68] Palmer and Sawhill, The Reagan Experiment, p. 160.
[69] Glickman, Cities and NIDL, p. 496.

In fact, in counterpoint to the great pressures raised by the needs of the poor, the cutbacks augmented what some observers feel is the modern city's natural bias against the lower class and poor.[70] Since cities' primary source of revenue is property taxes, they have traditionally shown an interest in attracting investment that contributes to the market value of real property. Lower-income residents, it is thought, typically cause expenditures larger than the revenue they generate, so cities want to exclude poor households. For their part, middle- and upper-income residents (who tend to have greater control over the political system) have an interest in keeping high the ratio of governmental expenditures that benefit them to the taxes they must pay, so they work to keep their services high, but taxes low. Finally, city leaders fear that the image of the poor may reduce the capacity of a city to attract other human or financial resources. In some cities, senior citizens, singles, and other relatively well-off people, rather than low-income or working-class citizens, have come to dominate municipal elections.

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[70] O'Connor, Fiscal Crisis; Lowi, The End of Liberalism.

## Roads, Rubbish, and Rascals

In the face of fiscal constraints, in contrast to the heightened perception that the problems of poverty are growing and require attention, city leaders tend still to see services that are targeted toward the poor as expendable. On the other hand, the range of mainstream programs such as street construction and repair, rubbish removal, and police patrolling for middle-class taxpayers are necessities. From this point of view, for the poor, it is bad enough that the middle class has continued to maintain a substantial power base and can thus use political resources to maintain their current levels of services. But to make matters even worse, expectations of the middle class (and the poor) for the responsibilities of local government have risen in recent times. No longer is it enough for the local government to perform historical municipal functions such as keeping the roads paved, the parks spruced up, and criminals off the streets. In addition, residents expect cities to provide programs for children in the park, support the arts, discern the causes of drug and criminal activity and pursue their prevention, shelter the homeless, maintain suicide-prevention hot lines, and more. Thus, while the revenue base for many cities has decreased, citizens expect them to expand their range of services.

This raises the issue of the historical nature of city bureaucracies, and their adequacy in handling certain types of problems. When the modern city bureaucracy first emerged in the nineteenth century, its primary charter was to solve what now can be considered rather straightforward urban problems, problems well-suited to bureaucracies. Paving streets and picking up garbage mainly require the efficient deployment of operatives. This is even true for reducing crime; creating the sense of security, especially when the real crime rate is low, can be largely accomplished by putting cops on the beat. Since the range of activities that municipal governments had to cope with was limited, it is not surprising that cities have had very limited legal authority to raise revenue. In many states, the city itself is limited, as is any revenue raising authority it may have, because it is a creation of state government.[71]

The problems of cities became more complicated; governments had to develop public works projects such as transit systems, parks, reservoirs, and playgrounds. Even though the politics of distributing these public goods were (and are) often thorny, these complications are still of a smaller order than from the task of marshalling the resources to reduce poverty. Even though the creation of public institutions such as libraries, public utilities, and juvenile courts have their own important subtleties, city governments have usually been able to do these tasks through good management. In all of these cases, the city actually has a good understanding of the nature of the problem, and control over the resources to solve it.

This is far different than problems related to poverty. For example, with drugs we do not know whether the supply of drugs is a bigger portion of the problem than drug use. But even if this were known, city governments could not do much to affect either supply or demand. They cannot threaten foreign countries with sanctions, nor can they isolate themselves from surrounding areas. If the demand for drugs springs from a nebulous feeling of spiritual alienation, cities cannot easily provide the remedy. If the source of the demand is simply a lack of jobs, the city can seldom establish factories, stores, and other employment options. Those problems which are associated with poverty highlight citizens' general confusion about the nature of complex social problems and city government's particular inabilities to provide solutions. Is the cause of Black teenage unemployment discrimination, a culture of poverty, flaws and changes in the structure of the economy? Will any answer lead to solutions that a city government has a good chance of effectuating? Similar questions can be asked about high-school dropouts, crime, and the severe shortage of affordable housing. But despite the many limitations, both citizens and the federal government are looking to city hall to solve these complicated problems.

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[71] Bacharach, Reader and Rolleston, "Autonomy and Dependence."

## LOCAL INSTITUTIONS, POWER, AND POVERTY

Local governments (all levels of sub-state government, including cities, counties, and regional governing bodies) are depended on to identify and fashion options for the poor. But they are inadequate to the task for both historic and legal reasons. Local government (as a creature of state government and without its own legislative and initiative authority) is in an untenable position, with only police powers to restrain crimes and promote health and safety, but virtually no authority to marshall resources to generate or redistribute wealth.

The actions of corporate capital deeply affect the lives of local residents. But localities have few powers over private corporations.

Yet local governments, for good or evil as we have seen, have assumed increasing responsibility for the social welfare needs of their indigenous population. The War on Poverty, Model Cities, and the Housing and Community Development Act, combined with other legislation on job training and social services, have developed the perception that local government has a direct responsibility for local poverty and the capacity to combat these problems. Since local government has been transferred the responsibility, we believe it can be reasonably argued that it needs the capacity to deal with the problems by raising revenues, regulating plant locations and plant closures, and using unused private property for the public good.

Local voluntary organizations are expected to provide another bridge to poverty. These institutions vary in their responsibilities and capacity. They are close to the problems, but lack any authority or accountability to the people they serve. The potential of voluntary organizations is undermined by the fact that they must adapt their response to the people they serve to higher distant authority (either federal government or foundations) and not to the recipients of the services.

Local solutions for the interconnected problems of urban poverty can increase basic, human-scale democracy at the community level. Powerlessness, homelessness, and economic isolation are all part of the same institutional framework. In essence, wherever there is a weak political structure there are corresponding poor distributive outcomes for the population.

## Pressures on Black Mayors

The gap between expectations and resources at hand is particularly severe for Black mayors, who govern many of the cities in which the largest percentage of the persistently poor live. Black mayors of Cleveland, Detroit, Baltimore, Los Angeles, Atlanta, (recently) Chicago, Philadelphia, and New York have special burdens of leadership in their own communities as well as policy makers for the problems of the Black urban poor. Many of these mayors were swept into office as a result of white flight and intensive efforts to mobilize Black citizens, who had previously been kept outside politics. Perceived as a dramatic change from previous municipal administrations that were insensitive to concerns of the poor generally and Blacks in particular, Black mayors felt (and continue to feel) significant pressure to ensure that the disenfranchised are beneficiaries of city decisions. However, Black mayors are just as constrained as white mayors in channeling resources towards the poor and, some would argue, they have additional political constraints because of heightened sensitivities of white constituents and the business community.

It comes as no surprise then that although Black mayors have influenced decisions, they have not achieved dramatic re-orientations of city policies. According to a recent study of ten cities where minorities have made significant political gains,

> city employment of minorities increased, police review boards were created, more minorities were appointed to commissions, more minority contractors were utilized by the cities, and minority-oriented programs [that

> generally foster increased political inclusion] were established."[72]

Important as these changes are, they do not involve a reorientation of resources toward the poor. Perhaps one observer of Blacks' rise to top municipal positions put it best when he said that these officials "guarantee for Blacks a more equitable share of existing governmental benefits and services within existing priorities."[73] The needs of the poor are beyond the ordinary priority system. Few Black mayors have been able to produce a genuine minority agenda within the constraints of the local government system. Mayor Richard Hatcher, of Gary, Indiana, is a classic case in point. His efforts to concentrate on community could not match corporate disinvestment decisions and the erosion of the employment and tax base.[74]

Despite these limitations on the powers of municipal government, they have innovated to address some of the poor's needs. Mayors are intensely pressured to address two problem areas, among others: economic development and homelessness. Because of the high-profile nature of both these problems and their solutions, many cities have made considerable efforts. These two areas provide an instructive contrast. Although much more severe and more noticeable recently, homelessness (which we discuss later) has always been a problem of large urban areas, and large city governments have always dealt with it (however inadequately). On the other hand, only recently have municipal governments taken an active role in fostering (or trying to foster) economic growth. Solutions to homelessness will clearly help the poor, while economic development programs may not, although they are often promoted with this as a partial justification. But for both of these issues, there appears to be an essential incompatibility between current expectations for local governments and their ability to meet them, given financial and institutional limits.

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[72] Browning, Marshall and Tabb, Protest is Not Enough, p. 250.
[73] Bacharach, Reader, and Rolleston, "Autonomy and Dependence," p. 49.
[74] Catlin, "Gary, Indiana."

## Initiatives for Economic Development

Higher expectations of local government appear clearly in the area of economic development. In the wake of the economic restructuring that has characterized the U.S. economy in the 1970s and 1980s, public officials have taken upon themselves the task of insuring that their own communities do well in the shakeout of economic "winners" and "losers." This acceptance of new responsibilities has been evident in a variety of places. For example, in 1983, the National League of Cities told its membership that

> local officials must take the lead in fashioning a conscious and aggressive economic role of city government . . . . City governments should have the primary public sector role in shaping local economic development.[75]

Some cities have sought special state legislation that would allow them to direct tax revenues toward specific ends rather than toward the general fund. This would allow them to establish special assessment and tax districts wherein a proportion of the taxes levied on a structure would be returned to the local area. Other schemes, such as tax abatements or enterprise zones, offer substantial decreases in taxes as inducements to establish businesses in specified areas.

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[75] Bergman, "Introduction," Local Economies in Transition.

> Despite their supposed benefits, all these various measures, justified as producing economic development and employment, undercut what was one of the original arguments for government-sponsored redevelopment projects--that they would add to the municipal tax base and thereby support the level of services required by cities with large dependent and fleeting middle-class populations.[76]

A common response of local governments to increased pressures has been reliance on partnerships with private business firms. Although there is some record of these partnerships working, one factor behind their adoption is that they can give the illusions of immediate, direct results. Increased reliance on private business changes the mix of local participants, giving business more influence over local policy-making. Some observers believe the long-run effect may be to "reduce public voice and participation in development politics."[77] The fact that local governments see economic growth as their responsibility is manifest in various policies. Theoretically, partnerships that combine business and government have the effect of fortifying the local economy, and the benefits of this increased economic strength should trickle down to the poor. Sometimes this takes place; other times it does not. But, certainly, these local redevelopment efforts are not designed with a focus on significantly improving the environments in which the poor live.[78]

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[76] Fainstein and Fainstein, Restructuring the City, pp. 19-20.

[77] Clarke, "Urban America," p. 57.

> *People see the contrast between the facilities we've put up [casinos at Atlantic City] and the rest of the town, and they think, "What happened? Why did these bastards not do what they were supposed to do?" The fact is, we did. We came here to produce the money, not to run the city.*
>
> *Thomas Carver, President, Casino Association of New Jersey, Atlantic City, New Jersey,* *Time, September 25, 1989.*

In general, redevelopment projects have very little direct, positive effect on the poor. Recent partnerships that have focus on large, usually downtown developments to enhance commercial areas have taken virtually no cognizance of the poor.[79] For example, Baltimore and Dallas, no portion of two projects focused on neighborhoods of any sort. In Portland and Chicago, although a small component of each partnership effort was focused on a neighborhood that was solidly working-class, none focused on any neighborhood afflicted with many of the common problems of poor communities. In Minneapolis, Pittsburgh, and Atlanta, at least some portion of the partnerships were focused on disadvantaged people or communities. Even in these cities, however, the scope of the projects could be called small, at best. As William Woodside, president of American Can Company, says, there are real limitations of public-private partnerships in addressing severe societal problems.

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[78] Fainstein and Fainstein, "System of Cities," p. 20.

[79] Fosler and Berger, Public-Private Partnerships in American Cities.

> When we look at the constellation of complex domestic problems this nation must address--poverty, hunger, homelessness, and public educations--I think we must recognize that public private partnerships will prove an inadequate vehicle on which to depend.[80]

Whether they take the form of commonly known strategies such as tax abatements or the more custom-designed approaches of public-private partnerships, the efforts of municipalities to develop local economies are often very expensive. But because the measures are fine-tuned to the specific characteristics of the local area, and because such areas are affected by very specific economic circumstances, the policies are difficult to evaluate. The few analyses that have been completed have generally concluded that these programs subsidize jobs that would have been located, in any event, in the jurisdiction.[81]

For example, the federal Targeted Jobs Demonstration Program was designed to capture a portion of the benefits of development projects and direct them toward low-income, unemployed residents and small, minority- and women-owned enterprises. Fourteen different communities were each awarded about $200,000 as a part of the experiment, lasting from 1980 until 1983. In general, TJDP was not successful in targeting jobs to the disadvantaged, perhaps because most cities did not develop effective job-targeting strategies. Perhaps in part due to the severe recession of 1981-1983, on most of the development sites the experiment created less than 45 percent of the jobs expected by local officials. Hiring patterns improved systematically in only three of the ten sites.[82] By the time the program was completed, TJDP was no longer an important part of an overall job and business strategy, but instead was a isolated demonstration program. On an operational level, the lessened commitment from the government meant that local officials did not have the full support of participating federal agencies.

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[80] Woodside, "Public-Private Partnership."

[81] Rasmussen and Lebedur, "State Economic Development Programs."

## Homelessness--An Old Problem

Although homelessness is usually thought of as a new problem, municipalities have had to struggle with it for quite some time. A brief history of the problem and municipal efforts sheds some light on the current trends. Homelessness in the United States is anything but new. Housing the homeless has been somewhere on the public agenda many times since the mid-eighteenth century. Not surprisingly, the ranks of the homeless have swelled during periods of economic downturn and decreased with the return of prosperity or war.[83]

At various times, the public has come to regard homelessness as both the cause of the moral and character failings of the homeless and the result of uncontrollable events in the overall economy. For example, in the early part of the last century, the homeless were judged to have caused their problem themselves, and solutions ranged from Philadelphia's "Betterment houses," to laws in Boston that attempted to return the homeless to their place of origin.[84] By the late 1890s, in many cities police stations were virtually overrun every night with the ranks of the homeless. The recession of that period, combined with concern that police effectiveness was being compromised, led many cities to outlaw the use of police stations to provide relief. Social reformers then proposed a different conception: some homeless were lazy or criminal, though others had fallen into their misery through no fault of their own. These new views were contemporaneous with the emerging sciences of psychology and social work, and the reformers sought out expert diagnosticians to sort through the large homeless populations.[85]

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[82] Van Horn, Beauregard and Ford, "Job Targeting."

[83] Hoch, "A Brief History," p. 16-17.

But through all of these periods, municipalities have had the responsibility of dealing with the homeless, whether their numbers were great or small. This only changed in the Depression of the 1930s, when the homeless population ballooned to unprecedented levels. The Transient Division created by the 1934 Federal Emergency Relief Act provided shelter and relief to more than 130,000 homeless people in 300 urban and 100 rural camps. By the next year, the federal government passed the famous Works Progress Administration Act and moved beyond simply housing the homeless to the more basic problem of unemployment. The WPA employed about two million people per month until it was abolished when the war industries were able to absorb the millions of unemployed.

While homelessness was not conceived of as a national problem until this decade, its recent re-emergence has resurrected almost every conception of the cause of the problem. Attempts to quantify the number of homeless range from HUD's estimate of 300,000 to homeless advocacy groups' count of three million. This old quotation sounds oddly up-to-date:

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[84] Hoch, "A Brief History," p. 18-19.

[85] Hoch, "A Brief History," p. 24.

> missionaries devoted to converting the immoral and police committed to incarcerating the unlawful tend to perceive the homeless as vagrants or tramps whose predicament is self-imposed. In contrast, psychiatrists and psychologists focus on the causes of individual mental and physiological illness that set the homeless apart as deviant or disabled, while social workers and organizers tend to explore how institutional forces have pushed people out of their shelter.[86]

The local consequence is that the homeless are a new class of "poor" added to the municipal list of dependents. Local response is characteristic. That is, local government would rather use its police powers to remove the homeless than provide services to them. Local governments are unable to cope with the real cause of growing homeless. The transformation of the economy which no longer requires a Skid Row population:

> In earlier decades, urban employers needing muscle power to wrestle cargo apparently put up with the low productivity of the Skid Row inhabitants because they could hire them as needed for low pay. . . . The lack of demand for unskilled labor contributes to contemporary homelessness and helps account for the poor employment and earnings records of the extremely poor and the homeless. Labor market factors are especially important in understanding the sharp decline in the average age of the extremely poor and the

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[86] Hoch, "A Brief History," p. 28.

> homeless over the past three decades. Between 1955 and 1985 there was a drastic increase in unemployment among young males in general and blacks in particular. Unemployment reached catastrophic proportions in 1985 with 40% rates among black males under twenty-five.[87]

Federal outlays for housing assistance peaked in 1978 and then crashed.[88] For instance, in that year renters' assistance alone was $31.5 billion, but in only five years this had already fallen to $8.7 billion (by 1983). This happened while the need for assistance increased. Consequently, as of 1985, only 22.5 percent of eligible, very-low-income, renter households were receiving direct federal housing assistance.[89]

Faced with an increasing population of the homeless, cities have had to find some way of coping, despite federal cutbacks. However, most observers judge that even the cities who marshall the largest numbers of resources for the problem are likely to have limited success. Allen Heskin, who has chronicled many efforts against homelessness in Los Angeles, writes:

> All of [these efforts] are admirable. However, the problem dwarfs even these heroic efforts. Many good models have been and continue to be developed in Los Angeles for sheltering and providing long-term housing for the homeless, but the funding is not yet available to move from models to the level of production necessary to deal with the overall problem.[90]

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[87] Rossi, Down and Out in America.

[88] Carliner, "California Once Again."

[89] Carliner, "California Once Again," p. 125.

[90] Bingham, Green and White, Homelessness in Contemporary Society.

In sum, homelessness is another manifestation of a local need matched by the absence of a local resource or natural support.

## New Local Institutions

The situations of the very poor (that is, the conditions of their communities or neighborhoods) provide them with few points of access to the greater society precisely because they are poor. Where they live is as important as who they are. The where is more profound than researchers or policy makers have wanted to comprehend. To take an almost trivial example, it is well-known among ghetto youth that changing your address on a job application to a more fashionable neighborhood can increase enormously your chances of getting a job. Moreover, the cultural and socializing skills associated with personal development are lacking in poor communities. Although local governments grow rapidly and have tended to replace families and other support systems as the shapers and molders of individuals and communities, they fail to address the needs of the poor. To some extent, community-based organizations (CBOs) can fill this void.

A special group of non-profit organizations emerged out of the War on Poverty. The central thesis of such CBOs was that to get them, "the poor," directly into the action, a new set of institutions that merged both social and economic activities would be needed. These organizations were governed by boards of directors that joined low-income residents with local business and professional leaders.

> *Third Shiloh is the smallest of 15 Baptist churches. . .The neighborhood [the 97 dismal acres of the Desire housing project, where 8,555 people live] became inundated with drugs about a year ago when crack dealers set up shop in two abandoned houses. . .*
>
> *Drug traffic flowed day and night. . .Drug buyers lined both sides of Piety Street. . . Burglars tore off the front doors of the church twice. . . In April the church agreed to pay $35,000 for the two crack houses and five other nearby houses. . . .*
>
> *Church members [mostly blue-collar members] themselves tackled the old crack houses, clearing out five truckloads of trash from the weeds around them. They boarded up windows and threw out syringes.*
>
> *The church will start renovations soon, building 10 apartments for low-income people. The work will make a small but welcome dent in the community's unemployment rate of 61 percent. . . Federal funds will pay for $61,000 of the $150,341 renovation job and for much of each unit's monthly rental cost of $300 to $400.*
>
> *Frances Frank Marcus, New York Times, "Project on Piety Street: Reclaim Crack Houses," May 12, 1989.*

Community-based organizations vary in their responsibilities and capacities. They are often close to the problems but may lack authority and sometimes formal accountability to the people they serve. The potential of these organizations is limited, sometimes undermined, by the fact that they must adapt their activities to higher and distant (funding) authorities, not to their constituents or the recipients of services. On the other hand, one of the great strengths of these organizations is their ability to reject the warped view that the poor behave so as to create their own problems. This can orient CBOs to empowerment, mobilization, and attempts to reduce dependency.

Community-based organizations may better deal with the interconnected problems of urban poverty because they work at a basic human scale, which can encourage democracy at the community level. Powerlessness, homelessness, and economic isolation are all part of the institutional framework of persistent poverty. No one can seriously argue that the forces at work that isolate the poor from opportunities are not both economic and political. In essence, wherever there is a weak political structure, one out of touch with the population, there are correspondingly poor distributive outcomes. CBOs, because they are almost always intensely political, oriented to the needs of neighborhoods and citizens' groups, stand a chance at correcting this situation.

> More than a reduction in the size of decision-making units (cities and neighborhoods) is necessary, however, before popular political participation in societal decision-making can be realized. There must also be a genuine transfer of power to the decentralized units. No one is likely to participate in the decision-making unit of an entity of any size unless that participation will make a difference in his life. Power and participation are inextricably linked: a sense of powerlessness tends to produce apathy rather than participation, while the existence of power encourages those able to participate in its exercise to do so.[91]

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[91] Frug, "The City."

It is the apathy and the lack of hope infecting the urban poor that need to be addressed. Giving people more power over their lives individually and collectively (through literacy, for example) increases community power in this sense. We do not advocate license to subjugate others or to reduce their freedom, but we call for change to help achieve a new nexus of human responsibility. This transfer of responsibility can breed the politics that might readjust the balance of power between those in positions of wealth and power and those without.

The challenge of urban power is one that reaches far beyond money and social services. It is also deeper than the symptoms of drugs and crime or poor education. It goes to the heart of the organization of the society itself. The design and development of new forms of local governance, and the thorough and democratic utilization of old forms, will be important components of any attempt to deal effectively with the problems of persistent poverty, because it is the structure of the entire social and political system that creates persistent poverty. Cosmetic rearrangements of existing systems will not meet the needs of the current problem. Only a wholesale transformation of the institutional framework at the base level can hope to achieve this objective.

## CONCLUSIONS

Economic development efforts and homeless are just two examples of the new responsibilities that local governments face. Combatting the virulence of drugs, the soaring high-school dropout rate, and the rampant violence that threatens all urban residents represent three problems that urban municipalities must respond to, whether prepared or not. While these problems have worsened, recent trends at the level of the national government have put increasing pressure on municipal entities to respond to such problems, and generally to increase their levels of assistance to the poor.

Although there might be disagreement about the appropriateness of this increased demand for sub-national support, the evidence seems to indicate that local entities are the only reassurance left, and perhaps the best available one.

Local institutions are closer to the problems, but they have never had the capacity to deal with such poverty-related problems of unemployment and economic decline. They can only build this new capacity with real federal aid. At best, cities struggle to simply ameliorate some of the effects of poverty on its citizens. To actually attack the causes of poverty in any substantial way will require effort at the federal level, whether it be in expanding the economy or providing employment.

It seems unlikely that cities will able to mount effective strategies to combat these new urban problems--or just plain old poverty--without a substantial change in the institutional structure of city governments and a new form of federal assistance. Until these changes take place, these problems will probably continue to plague our cities.

# CHAPTER 6--AN INSTITUTIONAL REMEDY FOR A STRUCTURAL DILEMMA

Americans are taught to believe that poverty is a temporary condition, a situation and an affliction that any individual with sufficient strength of character can overcome. To too many policymakers, poverty is not a built-in feature of the society but a characteristic of poor people and poor places. Today's circumstances defy this simplistic view. Poverty is institutionalized, a permanent part of the economic landscape. In order to reduce poverty, we will have to alter institutions that create degrading circumstances. In this chapter we address these issues of institutional inadequacy and change. After identifying gulfs that now separate policies from the problems of poverty, we propose principles for new and better policy. New coalitions of interest will have to be formed to create the momentum for these proposals at the local and national levels.

The United States is one of the few Western, industrialized nations that does not guarantee basic health care, child welfare, and employment security, or more than the most rudimentary housing assistance. In lieu of these basics, American policy is designed to provide only temporary and very partial assistance to persons or families. Basic support is expected to be a personal and not a community responsibility. Individuals are supposed to earn and save for illness, higher education, or special schooling of their children, for maintaining their aged parents, and for taking care of themselves during periods of unemployment and retirement. These are heavy personal and family burdens. Social and economic institutions are not designed to relieve these individual burdens. The idea is not to promote use but to prevent abuse. This curious denial of social responsibility leads to extremely difficult circumstances for anyone without resources for an extended period. Such persons are deemed incompetent; they are not seen as legitimate claimants for community service, but as drains on community resources.

This psychology of welfare in America, imposed with relative ease largely by means of racist stereotypes that are still available as a legacy of slavery, prevents the development of institutions that would provide services on an equal basis to the entire society, including the poor. The distinction that separates charity from public obligation to fellow citizens is important in comprehending what has led to the development of persistent poverty. Welfare, for example, is available only to the destitute, which makes it demeaning and degrading, an act of grudging charity. Subsidies for medical services are withheld while patients are pauperized.

Individuals or families without resources over any extended period (welfare recipients and the homeless, for example), become public wards. Stripped of the dignity that might grace temporary beneficiaries, the recipients become dependents. The social psychology of dependency is manifest among long-term welfare recipients. Even in the case of public schools, many poor (welfare) children become imprisoned in an unresponsive system that fails to liberate them from their circumstances. They are wards of the schools rather than users of the resources aiming to achieve self-defined goals. The inadequacy of inner-city schools is sad testimony to this debilitation. The schools expect and encourage very little from the students. The students, since they view themselves (like their parents) as dependents, not owners, drop out of school or stay in for social rather than educational reasons. Inner-city schools, hospitals, and other social services deteriorate under the twin burdens of community indifference and the pathology of the users.

Entire neighborhoods are similarly disadvantaged. Community-based anti-poverty programs, even with the best efforts of their sponsors, create dependency on the institution that provides the resources. Very few government-funded or foundation-assisted neighborhood efforts have generated independent economic institutions. When community-based organizations themselves try to move toward independence, they generally encounter resistance and even hostility on the part of their funding sources. Even in the case of programs for minority enterprises, support structures have not encouraged independent development.

At the bottom of the socioeconomic ladder whites are now faced with direct competition from Blacks. These whites find themselves involved in a lonely fight for a new form of equality under the banner of reverse discrimination that mystifies some other minorities and disturbs the more comfortable parts of the Black population. Minority poor people, particularly Black people, consequently find the ugly traces of discrimination still in operation in spite of civil rights legislation.

It is our contention that in the circumstances we have outlined, "breaking the cycle of poverty" requires action that deals with the organic or structural conditions that generate it. It is in this vein, in these circumstances, that we examine alternatives and their possibilities.

> *. . .think of the persistently poor as part of our family; not as "them" but as "us. . . there is nothing more important than ending the isolation and despair of those who are shut away from the promise of American life."*
>
> *Norman Krumholz, formerly president of the American Planning Association, in the Cleveland Plain Dealer, January 22, 1990.*

## GULFS BETWEEN POLICIES AND PROBLEMS

The standard approach for dealing with poverty and racial disparity is to isolate them from the social structure rather than recognize how central to the system they really are. Preoccupation with poverty as personal pathology has led to the design of programs that will not remedy problems but may, in fact, exacerbate them. In what follows, we examine a series of national and local policies designed to mitigate the bad effects of structural poverty on the Black and Hispanic communities. We examine a series of policies and find they are deficient in many respects, not the least of which is that they fail to deal with the structural roots of poverty. We focus on workfare, education and job training, economic development, neighborhood revitalization, small business development, affirmative action, incarceration, and welfare. These policies form the basis of the current attempts to deal with the problems of growing numbers of long-term poor people.

## Welfare

Few national policies have been under scrutiny for so long with so few good results as welfare. Americans' beliefs about welfare are odd. The dominant belief seems to be that welfare is for the incompetent, requiring rehabilitation. This view ignores the conditions that require public aid, and it disregards the fact that millions of middle-income and wealthy Americans receive transfer payments such as Social Security, interest deductions, or other tax give-aways. Welfare in popular parlance is Aid to Families with Dependent Children (AFDC). It is morally justifiable only to children, not mothers or fathers. This is social burden enough; about one in five children in the United States is poor, an increase of one third in the child poverty rates since 1970.

AFDC, which is the primary source of public charity, now is paid to about 11 of the over twenty million poor households. Of these, fewer than half remain on the program for more than two years. It is these long-term clients of this form of welfare who are the target of public scorn. Most of these unfortunates are women with few skills, and they are young--almost 40 percent of the annual new AFDCers are teen parents. They and their mates have few prospects. Their conditions do not respond to many forms of remediation. They are seldom influenced by incentives to work or go to school, and they resist changes in their life styles.

Policies that aim at transforming the welfare recipient, making her into a better citizen, are well meaning but limited. Breaking the personal welfare cycle may not be the means to achieve the goal of providing stability for those trapped in it. The following conventional policies are aimed in one way or another to reduce the incidence of poverty in the nation.

## Workfare

The basic positive notion of the workfare program is to remove the debilitating effects of welfare by substituting some form of work or training for the dole. In this most recent edition of the poorhouse, the poor, imagined to be lackluster and lazy, are seen as needing to improve their attitudes and develop stronger wills to work, so as to take the significant amount of work available even in the highest ghetto unemployment areas.[1] The largest effort to correct the mismatch between jobs and the poor is the Work Incentive Program (WIN) developed by the Reagan Administration. Welfare mothers are offered training, child care, and other personal development options to move them into the world of work as quickly as possible. Each state develops its own variations, such as California's GAIN program, some offering more training than others. A little over four million welfare recipients were screened for participation in the WIN program in 1987. Almost two-thirds of the eligible population were not selected for participation.

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[1] On ghetto jobs see Hall, "Why is the Unemployment Rate so High..."

> *To welfare mothers trapped on the treadmill of poverty, GAIN promises escape . . . subsistence . . . day care and medical care . . . job skill or . . . education . . . The good news is that in some cases the program could well succeed in its goal of getting a family off welfare and into economic independence.*
>
> *The bad news is that GAIN is mandatory . . . If the mother doesn't cut the mustard, the family will have to go out on the street and join the homeless. How lovely.*
>
> *Warren Hinckle,*
> *San Francisco Examiner, July 20, 1989, p. A-4*

The basic problem of these programs is very simple: there simply are not enough child care places nor enough jobs participants will accept, especially in contrast to "the entitlement ethos of welfare."[2] In most instances the mother is asked to give up the security of welfare for the insecurity of marginal employment with few or no benefits. Entry into the job market for most of these women would require establishing an entire community network of services that deal with child rearing, including after school pick up, medical attention and emergency care. These options are difficult to manage with low incomes and bad neighborhood circumstances. In fact, the main problem with workfare alternatives is that it affects women more than men. It does not reach non-working men, since few of them are on welfare or required to register for any of these programs. Work for men, particularly Black men, is too often found outside the legal economy. A far better alternative would be to cover fathers and require them to work while they are on welfare. "That is, a father could receive welfare provided he was working and his family was still in need."[3] WIN job placements were limited in several cities of New York State because of the sheer volume and high concentration of welfare recipients, not because of lack of jobs. Bigger cities are worse for the poor seeking jobs through institutions like the welfare bureaucracy only because of the sheer size and bureaucratic weight of the system. Experience with WIN confirms other research that casts doubt on notions of a culture of poverty:

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[2] Mead, "The Logic of Workfare."

> [T]he poor accept work along with other mainstream social norms. They may prefer welfare to unpleasant jobs, but they do not contest the work principle. They are not radicals seeking social change. There is simply a larger gap between their professed norms and actual behavior than there is for most people. The inclination to avoid demeaning labor is hardly confined to the disadvantaged.[4]

The basic problem with workfare is that it fails to break the cycle early enough or provide resources long enough to help the new job holders maintain themselves in the workforce. Further, until we decide that it is legitimate to expect work from all of our citizens, we will be unable to develop a work-welfare program that will reduce dependency.

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[3] Mead, "Study of WIN," p. 280.
[4] Mead, "Study of WIN," p. 280.

## Education and Training

Programs to train and educate the poor are potentially very important, but the effort is far more difficult than public officials admit. Functional illiteracy among the poor is very high. Current estimates are that 42 percent of the Black poor are illiterate or functionally illiterate.[5] Lack of English language capabilities in Puerto Ricans and other Latinos, as well as ghetto Blacks, requires an enormous effort to get to adequate levels of literacy and functioning. There are few resources other than voluntary programs to address these needs.

The Comprehensive Employment and Training Act (CETA) provided both public and private employment opportunities, with the government as employer of last resort, but failed to use training effectively to end poverty. Fewer than 20 percent of CETA public service enrollees were placed in unsubsidized employment. In 1986, job training efforts in communities of all sizes cost over 2.6 billion dollars, with nearly 60 percent of this funding expended on programs to enhance the social skills and resources of the eligible enrollees. Another 25 percent of the funds were devoted to basic skills.[6] These data confirm the general observation that the JTPA eligible population is socially and educationally under prepared for almost any form of work. In spite of this allocation of resources, few participants were able to find and hold jobs for six months after the training period. Most of the jobs were poorly paid, and many participants dropped out.

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[5] Bernick, The Dream of Jobs.

[6] Bailey, "Employment and Training Programs."

Even the generous CETA eligibility standards failed to reach very many of the so-called "hard-core" unemployed. The reasons for this are many, but the basic problem was that the training cycle only led to more training. It seldom led to a real job. Many participants would agree with the one who said, "Training is great, but you can't eat books."[7] Close observers found the training approach ill-conceived and alien to the majority of the long-term unemployed.

> The architects of . . . training programs . . . thought training could eliminate unemployment and poverty. They had a model of unemployed and the poor persons kept out of the mainstream by lack of opportunities and skills, and brought in through training.[8]

The problems of the persistently poor are manifold. The individual pathology, the systematic obstacles, and the lack of opportunity all work together to limit the potentials of training efforts.

The current national training program, the Joint Training Partnership Act (JTPA), is the latest version of the training remedy. JTPA has employed another tactic in the fight against unemployment and poverty, the privatizing of employment and training. JTPA offers incentives to the private sector to hire unemployed men and women by subsidizing both training and wages for some segments of the population (e.g., veterans and other hard-to-place groups). Locally organized private-sector groups called Private Industry Councils (PICS) set the standards. Placement is the key to the JTPA effort. PICS in cities or counties are paid to place individuals in jobs. The results are predictably meagre as far as the long-term unemployed (i.e., the persistently poor) are concerned. Recent studies of manpower programs confirm this view. For example, the U.S. Department of Labor reported that for the year ending June 30, 1985, only slightly more than half of enrolled adults were placed, at a cost of $5,741 per placement.[9] Moreover, reaearch on short term, intensive social skills counselling, job search, and placement assistance and job tax credits for hiring them indicates that " . . . JTPA eligible clients found no [job placement] benefits for men and small benefits for women . . . [and] comparable unsubsidized [job] applicants actually did better than those hired with a [JTPA on the job training] subsidy."[10]

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[7] Bernick, The Dream of Jobs, p. 117.
[8] Bernick, The Dream of Jobs, p. 128.

Few agencies want to take a chance spending time and money on the training of groups of people who may be difficult to place, so they avoid those who have had long periods of unemployment. Once again, the poor are required to cross barriers that have been designed to keep them out of the system. It simply doesn't happen.

The training dilemma absorbs problems from another perspective as well. When the long-term poor face the labor market in today's circumstances, they face unusual obstacles. The market is rigid, skewed favorably not only toward those who have been taught certain skills and knowledge, but also toward a set of unstated "social skills." These social skills are manifest in speech patterns, dress, preferences in music, and cultural and social activities. "Good" social skills are viewed as critical for getting or holding jobs, in theory, because employees have increased levels of interpersonal relationships with other employees and customers.[11] Good employee attitudes are high on the priority list for almost all supervisors. The ability to get along is very highly valued. There is considerable tension that results in strained relationships when cultures and classes do not mix. There are myriad reports of lower-income workers walking away from jobs because they feel uncomfortable, unwanted on the job.

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[9] Bailey, "Employment and Training Programs."
[10] Bailey, "Employment and Training Programs.".

These subtle influences of social class and not-so-subtle conflicts of race and culture can have devastating effects for the (potential) new employee. In the new work world, "the growing conventional wisdom that displaced or marginal workers need more basic training contains a number of dangers."[12] The biggest danger may be that formal education is replacing common sense and ability to learn as a filter to the employment world.[13]

> . . . many minorities continue to face exclusionary barriers of segregated social networks, information bias, statistical discrimination in finding entry positions, and these barriers . . . continue to exclude minorities unfairly even when there is no intention by employer to treat minorities any differently from other potential employees.[14]

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[11] Blakely, Planning Local Economic Development, p. 36.
[12] Wilms, "Retraining."
[13] Ford Foundation, The Common Good.
[14] Braddock and McPartland, "How Minorities Continue to be Excluded."

It might be easily argued that small communities and mid-sized cities have more fluid communications patterns. As a result, Blacks should do better in these small environments. There is little evidence in the literature to support this observation. Moreover, even in medium sized metropolitan areas the workers are in the inner city and the jobs are in the suburbs, physically distant from the poor community, which puts urban workers at a social and spatial disadvantage. The good schools that will lead to college are in the suburbs. The people who need education as a way out of poverty get the bad schools.

Even if they were to be vastly improved and well-handled, employment and training programs cannot alone overcome great differences in basic skills and opportunities. Even if a poor person gets a job, it is likely to lead nowhere. There is almost no potential for any low-paying job to turn into a better opportunity. Job-training programs constantly re-train the same pool of people, who take jobs and lose them either because the job disappears or the employee becomes disillusioned. Worse yet, there are not enough jobs; training opportunities will not in the short run create new jobs.

## Local Economic Development

Local economic development has been promoted as the answer to under-employment and unemployment. The basic objectives of local economic development are 1) to promote and attract business, using government and private-sector incentives, 2) to create jobs by expanding investment in the community, and 3) to build roads, sewers, and other physical plant and swing tax resources to subsidize importing, creating, or retaining business in a locality. There is much exaggeration regarding the benefits of local economic development. Its champions point to renewed cities with great physical improvement and to the sometimes significant number of new or relocated jobs.

Unfortunately, several shortcomings undermine these enthusiastic claims of politicians and economic development professionals. The market is skewed so that businesses seek subsidies rather than making sound business-location decisions, or hardly better, they go where they would anyway, but at local taxpayers' expense. Local economic development tends to be indiscriminate, so that bad jobs, poor investments, and corrupt practices have been fairly widespread. But worst of all from our perspective, there is a great mismatch between local economic development efforts and the places and people in need, which implies need for redistribution from a higher level.

> The false dichotomy often drawn between the future of the central city economies and that of the 'truly disadvantaged' . . . is counterproductive. Even in supposedly 'successful' metropolitan economies, gross inequities exist between those who survive well and those who survive barely . . . Cities should . . . monitor the distribution of benefits in economic development projects, encouraging democratic participation in the development process.[15]

Local policy seldom focuses on the most disadvantaged populations in any community even when the city is led by minorities. "Local public sector efforts to promote economic growth . . . places low income and ethnic and minority residents in a relatively weak position.[16] Even Black political regimes do not translate into Black economic advancement for all strata, the way ethnic control of city halls did in the past for other (immigrant) minorities.[17]

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[15] Manning, "Planning and Industrial Decline."

We only have to witness the continuing conditions of poverty and neglect in all sorts of U.S. cities to obtain some perspective. In cities that are deeply troubled economically, such as Detroit or even Atlantic City, poor residents are distant and isolated from any rapidly growing economy where jobs might be available. In the vicinity of other cities, such as Newark or Oakland, nearby metropolitan centers and suburbs may have healthy economies and be growing, but little or no share goes to the poor cities or their residents. Whatever economic development that has taken place in cities like Newark, St. Louis, Milwaukee, Baltimore, Oakland and Atlantic City has increased racial stratification. In still other cities, such as Boston, San Francisco or even Los Angeles, where economic growth rates have for long periods been very high and economies booming, the (mostly minority) poor remain still very badly served, often employed in Third World conditions.[18] Poverty rates have not declined even in most of the rapidly growing, mid-sized cities with HUD-assisted projects, such as Portland, Oregon, Milwaukee, Akron or Flint. Improved image has not improved the paychecks for most city residents. Until the circumstances are altered and the structural issues are addressed so that regional and intrametropolitan imbalances are relieved by higher level policies, local economic development won't help the poor enough.

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[16] Robinson, "Municipal Approaches to Economic Development."
[17] Reed, "The Black Urban Regime," p. 138.
[18] See, e.g., Soja et al, "Urban Restructuring."

## Neighborhood Revitalization

Neighborhood or community development was the bedrock of the War on Poverty. In this view, development of the catchment area that houses the poor is a superior alternative to moving the poor to new jobs elsewhere. The central feature of almost all neighborhood economic development efforts is the view that the poor community is an economic unit. As a consumption unit, the neighborhood is imagined to have sufficient capital (raised through transfer payments and employment) to form a stronger job base. Unfortunately, this power rarely meets these expectations. Except for select immigrant communities, when people who live in poor neighborhoods save money, they use it the same way others do, by shopping where it is cheap or chic. There is no special loyalty to local vendors or minority enterprises unless they are as good or better, and closer, than others offering the same goods. Retailers avoid low-income areas; the customer base erodes as younger, more able people grow up and move out. Reversing this trend means a squeeze on rents and opportunities.

> . . . [N]eighborhoods, by their very nature, are problematic as targets of economic development strategy, insofar as such a strategy is intended to generate economic activity and employment directly within their boundaries. As the places where people live, neighborhoods reflect most clearly the conditions of life of their residents. Thus, they are a logical focus of advocacy and political mobilization. But the

> historic divorce of workplace from residence is now so far advanced in American cities that localized economic development efforts face great difficulties in raising incomes or binging people into the economic mainstream.[19]

The community development corporations founded in the mid 1960's continue to be the major vehicle for economic stabilization of minority neighborhoods. These corporate entities arose from two basic thrusts in recent domestic policy: social service program delivery through community based institutions, and the activities of the anti-poverty programs to reduce "hardcore unemployment" through locally-based job creation. While these efforts have been widely cited as importnat to restoring social and economic order, few studies have substantiated their economic value. In fact, it was found in a recent survey of CDCs in large and mid-sized cities and rural areas that attempts to balance social with " . . . business activities is (not) a valuable use of time, resources, and energy of any organization that serves low income people."[20] Neighborhood economic development using the CDC as a development mode must be put in perspective as a part of a larger effort. Although not the best device for attacking employment and economic-resource weaknesses of low income communities, it can provide a vehicle to keep some form of local services in neighborhoods to preserve their character as nurturing venues for familiies and individual local residents.

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[19] Teitz, "Neighborhood Economics."

[20] Blakely and Aparacio, "Balancing Social and Economic Objectives."

## Trickling Up: Minority Enterprise Creation and Affirmative Action

The most basic conventional approach to altering the economic stakes of minorities is to "give them a piece of the action," as Richard Nixon argued. This goal is embedded in national legislation in the form of minority small business and affirmative action programs. Although few arguments have been advanced that either of these approaches could affect all minorities mired in poverty, in the current economic climate considerable emphasis is being placed on minority ownership and management. The basic thesis is that minority owners and managers will be able to reach the social isolated more effectively than more general national efforts. In essence, it is thought that minorities, compared to whites, will employ or hire other minorities in larger proportions. This is obviously a long-term strategy, dependent in part on overcoming business reluctance to confront racism and accommodate more minority capacity. The evidence so far is that the small scale of minority involvement has not had any marked impact on the larger minority community.

Minority businesses, however, irrespective of size, do hire relatively many minority workers. "[T]o the extent that aid for minority-owned businesses of all sizes does help to create new jobs, a disproportionate number of these jobs will be filled by minorities.[21] Most minority firms are highly dependent on minority urban markets, which are in predominantly low income areas. One consequence of this locational factor is the difficulty these firms have in penetrating other markets or securing capital to expand. Even the few minority firms that break into the big time of government contracts represent a minuscule component of all government contracting. For example, the Department of Defense only provided 2.2 percent of its contracts to minority businesses in 1987, less than half its goal of 5 percent.[22] Of the more than 300,000 African American and Hispanic business owners, over 90 percent provide services to local and state government. It is important to expand minority contracting and business startups, but it is unrealistic to assume these measures will have any immediate impact on the growing inequality between Blacks and other racial groups. In addition to these difficulties, the U.S. Supreme Court's Croson decision has seriously curtailed the capacity of local governments to use set asides and other mechanisms for municipalities to assist minority entrepreneurs.[23]

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[21] Drury, Social Support Networks and Minority Business.

There is no doubt that affirmative action has positively affected minority white collar employment nationally. However, this has little effect on the "growing mismatch between the education of many (Black) residents of cities and the education required by employers in the new urban economy."[24] Pessimistic assessments of the labor market and the effectiveness of current policies are justifiable. It is difficult to trace connections between specific hirings and affirmative action policies. Although there is no doubt that educated Blacks have gained group relative to whites, still " . . . when whites are currently employed in better jobs than Blacks of the same education level . . . networks of (job) information follow racial lines . . . "[25] There is also a continuing disparity between Black educational levels and occupational options.[26] Furthermore, affirmative action in employment has been exposed to increasing attacks from various business and professional groups and even from some low income, minority groups.

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[22] The State of Small Business.

[23] Henderson, "Fiscal Strategy, Public Policy, and the Social Agenda."

[24] Kasarda, "Jobs...Mismatches.".

Neither small business nor affirmative action will provide enough opportunities for lower income minorities either individually or collectively.

## Jail

America warehouses a significant portion of its persistently poor population in prison. Prison construction and operation is one of the nation's fastest-growing industries, driven by booming demand. The U.S. prison population increases by 1,000 people every week. There are over 700,000 men and women in state and federal prisons and nearly 400,000 more in county jails.[27] The United States has the highest incarceration rate in the world, about four times as high per capita as Britain or France. Are Americans more criminal in their character? Probably not. There are more plausible reasons for this alarming statistic. One is that we choose to place people in prison who cannot function in the society. Many are unable to cope with the demands of a complex society that shows no need for their talents or attributes. "The problem isn't that incarceration makes no sense, the problem is that its appeal is so natural there are no limits to it."[28] Another reason is that America's diverse ethnic and racial composition allow for a dehumanizing detachment that encourages the mainstream population to ignore the problems of poorer and dark-skinned citizens.

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[25] Mead, "Expectations and Welfare Work."
[26] Mead, "Expectations and Welfare Work."
[27] Barrett and Greene, "Prisons."

The prison population comes from the very same socioeconomic group as the persistently poor. The majority of the prison population are incarcerated because they are involved in crime as a part-time activity associated with welfare or underground cash employment, often--usually--not worth the risk. But many inner-city neighborhoods make prison appear almost a tolerable alternative.

> The defenses sometimes made of illegal work are unpersuasive. It is not true that crime is a rational choice for unskilled black youth. In fact, over the course of a year they can make more money in a legal (low paying) job.[29]

Prison becomes one more station in the cycle of life for many of the persistently poor. The penalty they pay and we collectively pay is too high. The prison population is such a rapidly growing burden that states are diverting billions away from education and social welfare to pay for new prison cells. The maintenance alone for each prisoner is over $30,000 per year in California, enough to pay for another school teacher, who could potentially lower the crime rate by preparing many people for legitimate employment. In contrast, an ex-felon is likely to return to crime after prison; the man or woman in prison cannot offer a role model; nor can the ex-convict often provide for a family. But any inner-city neighborhoods make prison appear almost a tolerable alternative.

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[28] Barrett and Greene, "Prisons," quoting Zimring.
[29] Mead, "The Logic of Workfare," p. 283.

No really valuable lessons or skills are acquired from imprisonment. Putting poor people into prison because they took the illegal work available is already a failed policy. It is now failing faster with no end in sight. This is clearly not an answer to anything, and certainly not an effective way to deal with the persistently poor.

## RACE, POVERTY AND LOCAL INSTITUTIONS

As we argued at length in Chapter Five, local government is another institution that has become a captive of its circumstances with respect to dealing with the problems of persistent poverty. While local government is the visible locus of persistent poverty problems, localities are among the weakest institutions to deal with them. Local government has neither mandate nor a resource base to deal with poverty problems. They have only a very limited ability to attract or stimulate employment. They are very limited in the resources they can apply to the needs of the poor, since they are required to meet certain public safety and regulatory provisions and are only allowed sufficient tax authority to achieve this limited result.

Local governments, particularly in small and middle sized cities, were never designed to deal with individual needs. They were organized to allocate basic real estate among the inhabitants, to protect health, and to maintain order. City charters do not provide for many other options, and state laws frequently prohibit city governments from taking on more ambitious tasks. County government as an arm of the state can offer individually oriented services for the state, but has almost no power to initiate services without state permission.

The apparently aggressive role of local government in recent years has created an image of local capacity well beyond its resources. Mayors, particularly minority mayors, have come to office with pledges and mandates to deal with poverty and the needs of minorities. This is true of school districts and other community services as well. Unfortunately, these pledges and expectations cannot be met. Local governments, school districts and similar institutions are still more limited in their abilities to meet the needs of the poor because of recent tax base losses suffered through exodus of middle class families and businesses. These businesses will not come back. The municipal tax base that expanded in the 1950s and 1960s started to erode in the 1970s and 1980s. Thus, even minority officials with the will and the desire to fight poverty are met with shrinking resources. Further, there are few means that a city could use even with more resources that could entirely alleviate the problems of the persistently poor.

Most of the resources that local governments are now employing to meet the needs of the poor are direct or indirect transfers from the national government. Housing is the prime example. The federal government provides housing assistance in the form of loans and vouchers that city housing authorities turn into dwelling units. The same is true of economic development activities in which the federal government extends its borrowing capacity to local institutions via the tax code and direct loan guarantees. In most circumstances, local, mid-sized governments (even minority local governments) resist providing any services for low-income persons since such services generate a tax burden, and not income. In this way these governments deal with the problem by taking care that it does not invade their territory.

One step closer to the problem, minority community groups have been especially resourceful in reaching the poor. These organizations also receive most of their resources directly or indirectly from federal or national sources. Community-based organizations intervene in the cycle of poverty through education, training, social skills transformation and shelter. But most of the community-based organizations that started out working directly on the problems of the poor in the early 1960s have moved away from that model in the 1980s. This change in tactic reflects both an alternation in the national mood, of increasing hostility toward and disinterest in the poor, and the shrinking resource base. Federal programs and national foundation resources are organized to achieve targeted results. Therefore, the community based organization becomes a funnel for these results-oriented efforts. The provision of skills training and housing is more easily acknowledged, measured and justified as a public expenditure than the building of community capacity or community mobilization. Moreover, community-based organizations have discovered that there are precious few resources within the community or at city hall to assist them.

Community-based social and economic development is very costly. The per-capita cost of working with a persistently poor person or family is extremely high. The organization is frequently put into the position of mirroring all the services in the external environment to work effectively with the so-called "hard core" poverty cases. The results are slow in coming and the problems are very large. As a result, most community-based institutions would rather deal with persons closer to job readiness or who are only temporarily in need.

Community based institutions, local governments, and welfare agencies all therefore work largely within the context of poverty as a situation to be avoided, and the poor to be cured. This approach perpetuates a deep social divide, which resists a view of persistent poverty and the poor as a part of the fabric of the nation. We contend that the problem of persistent poverty will only worsen until we develop approaches that deal directly with the national and local institutions that reinforce the mechanisms of our social system that allow people to be labelled, segregated, and institutionalized into poverty.

## PRINCIPLES FOR NEW POLICIES

Current policies are aimed at remedying the inadequacies of people who are flawed. These policies fail to recognize the changed economic circumstances or the changing nature of the root cause of poverty. We need to design new policies based on principles that deal with political, economic and institutional alteration. This is essential to not just to cure the problems of poor people and poor neighborhoods, but to alter the fundamental conditions that create them.

When faced with national emergencies of this magnitude in the past, we have often found leadership in the White House or in the Congress. This is not the case today. For complicated reasons, which we have discussed earlier, national leadership is absent or distracted and likely to remain so. Yet the problems of isolation and poverty need to be addressed clearly and quickly. In this section, we put forward principles, a framework, and sketch the proposals. These are not meant to be detailed prescriptions but rather a set of directions that may make policy better, clearer, and more effective.

No policy is adequate that isolates the poor population. We must treat the entire situation and not a single element of it, or the problem will be recreated. No policy that is aimed entirely at poor people will be good policy, for it is likely to fail politically. Policy that addresses the poor must also address the economic and structural insecurities that are being created for nearly everyone in the changing global system. Moreover, such policy must provide for the development of individuals in all communities. It must raise the real standard of living of all Americans. Finally, the political power behind such a new approach will have to be generated from coalitions of local organizations and municipal politics.

## Comprehensive Policies: A Basic Right to Family Economic Security in All Communities

Any policy to reduce poverty must address the needs of all Americans. Policy for the poor is politically poor policy, because its direct effects are perceived as beneficial only to a minority, in particular, to the dark-skinned "minority." The principle that policies should provide potential benefits to all citizens applies throughout the discussion that follows-- for education, employment, health care, community development, and industrial policy. For purposes of illustration and introduction, we apply the principle here to welfare, where the consequence of policy being identified with a narrow and suspect group of clients has been particularly damaging. Current welfare policies, for example, aim at children only in poor families, thereby communicating that these clients somehow "own" the problems. Americans are more prone to tolerate policies and expenditures that reward effort, or those that spread their benefits generally, such as those that help all families.

A new set of policies that provide support through the tax structure, for the entire family, should be implemented through the existing Earned Income Tax Credit (EITC).[30] The EITC now awards personal income tax credits up to $6,200 to be set as a percentage of family earnings. Proposals that do not rise with family size or are earnings-capped are of limited utility. Analysts recommend allowing expanded credit for minor dependents, from the current 14 percent for a single child to 26 percent credit for families with four or more children.[31] We concur with this approach, but would raise the levels from above 15 percent to a maximum of 30 percent and increase the the gross total income ceiling to $30,000. At the highest end, this credit would add $350 per dependent, an additional $1500 per dependent per year. Families could elect to receive the credit as a direct monthly or quarterly payment, a refund on their taxes, or an additional credit deduction against their payroll witholding taxes. Policies of this type are used in almost all European nations, Australia, and Canada. They have been well-researched and found to be generally sound and workable.

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[30] As proposed by the Ford Foundation's 1989 report on social welfare, The Common Good.

[31] Ford Foundation, The Common Good.

Of course the United States, with its more diverse population, has unique problems in administering a direct payment program. The tax credit is the best alternative for an understandable and workable national policy, effecctive in communities of any size. It uses a vehicle that is easily understood by most Americans; it provides an alternative to the existing movement toward welfare and poverty almost as soon as a working family loses its employment base; and maintaining families of all classes is a boon to the national economy. An increase in family stability reduces many of the nation's social costs.

## Community Industrial Investment Policy

A new national framework for a community industrial investment policy must be devised, to assist in guaranteeing employment for every able citizen. As a companion to restructuring the basic right to social security, the nation must forge a genuine national industrial policy. This policy should assist the nation in fulfilling the goal for guaranteeing employment for every American. We are not suggesting the re-introduction of bankrupt policies like nationalization of industries. Instead, we suggest an aggressive, flexible, and thoughtful approach to restoring the nation's competitive position in the world marketplace. Such a policy would provide increased investment in human capital and would promote investment generated at the local level to give communities greater control over their economic destinies.

An essential first step to a rational approach to combine industrial development with community economic development is to alter the tax structure to inhibit the wasteful practices of leveraged buyouts. Removing the tax deductions for interest payment on this form of debt would greatly reduce the incentives for paper profits in such takeovers. It would reduce pressure on firms to guard against takeovers that denude communities of industrial wealth and tax base, and it would encourage more long-range planning and problem solving.

We believe that corporate rights are not superior to community and national rights. Federal laws regulate the competitive environment to prevent unfair acticities and guard against monopoly. They establish separate tax codes, and local laws protect health and safety. Obviously, in a global context, treatment of corporations should be carefully assessed to guard against undue restriction on the international flow of capital.

On the other hand, the national government must be in a position to take positive actions to preserve and expand domestic economic opportunities for everyone. We propose the establishment of a national community development corporation to invest in projects that increase the technological base of the nation. This corporation would be in a position to initiate such projects as the new Semiconductor Research Center (SEMITECH), the Mico-Computer Research Center (MCC), and similar combined industrial research-and-development efforts of this scale in biotechnology, new materials, advanced manufacturing, and other areas.

This or a parallel corporation would also assist in expanding opportunities for firm start ups in declining areas. The emphasis here is on new firms rather than the current incentive programs that move existing firms from their established base to new locations. The national corporation would have government guarantees and be able to raise equity capital on the stock market for firms as well as trade its assets in the same manner as Ginny Mae and Fanny Mae. It would have the twin functions of identifying firms and places. There would be no prohibitions with respect to firms it invested in except that they would be new, small and located in targeted areas. The corporation would expect to recover its investments rather than act as a social welfare agency. The initial capitalization of the development corporation would be one billion dollars over five years, developed from the proceeds of sales of S&L assets as well as a new infusion of capital from the sale of government backed revenue bonds. The corporation's directors would be named by the President and confirmed by the Senate.

A corporation of this type could combat the spatial unevenness of current industrial development by considering any number of locational requirements in making its investments.

## Early and Consistent Education: A Community Education Act

The evidence is overwhelming that the earlier a child reaches school, the sooner he or she will be in a position to learn and contribute. Early childhood education is a good investment for the total society. Reports from the Congressional Budget Office indicate that Headstart and similar efforts offer enormous potential in reducing school failure, providing safe and secure childcare, gaining access to parents for parental education and training, and both training for and early screening of potential health and related problems. Poor children's opportunities are appreciably improved by high-quality early education and child-care programs. Ultimately, such programs should be available for all children, in a variety of arrangements and using various educational methods, so that parents can choose.

We propose a national community education act. This act would allow states to establish certified non sectarian early child education programs in designated census tracts. These programs would operate from K-3 and have heavy parental involvement including a requirement that parents attend parenting education and do volunteer work at the sites under supervision of qualified and state certified teachers. The education programs may be operated by local governments, school districts or by private non profit providers or a consortia of all. State daily attendance funding would be available to consortia projects as well as an additional government subsidy for each parent involved in the program. Local firms offering services or resources in kind to such programs could apply for a 100% federal tax deduction, if the gift or services are verified by the local school district. In addition, higher education institutions would be provided special community education grants for providing technical assistance to such efforts on a matching basis with state governments.

## Apprenticeships and Work Orientation

In an effort to reduce the fragile connection between work and school for many disadvantaged young persons, a national community apprenticeship program should be developed to allow consortia of firms in a community to design in-school and after-school and cooperative education programs for school-age participants beginning at age twelve. The apprenticeship scheme places the obligation of providing work experiences on a series of jobs in a number of firms rather than on a single employer. Such apprenticeship programs would be recognized by licensing and other bodies. The group plan would allow for development of apprenticeships in emerging fields such as computer technology and biotechnology. Apprentices would receive the minimum wage or higher, with the firm able to deduct as a tax credit the wages paid into the group apprenticeship scheme in addition to the business expense deductions. In addition, the scheme would be administered centrally for payroll and other purposes to eliminate red tape.

## Locally Based Training and Job Development

National policy must recognize that training without employment is useless. Because unemployment is now largely long-term, we suggest that unemployment insurance be reduced and greatly augmented with education and training development funds. The best training always comes as part of a workforce.

Under current unemployment insurance (UI) programs, laid-off workers are only contacted after they have left employment. This approach simply does not work. A more creative approach is taken by California's State Employment Panel. The panel uses UI funds to re-train workers prior to layoff, to identify new employment opportunities, and to place laid-off or marginal workers into on-the-job training.

In addition, workers with long employment records ought to be able to draw on their employers' UI credits to return to school for additional education and for education leaves of up to six months at the end of each seven years. Payment for these sabbatic leaves could only be made to employees enrolled in accredited educational programs in their current field or an allied field. Employees would receive one-half their salary from the fund and any amount the employer supplemented, up to the full salary. The employer would have to receive one year's notice of the intended leave and certify the educational program to be undertaken, as well as guarantee a return to work for a period equal to the leave or suffer stiff penalties.

The existing JTPA program and similar ineffective training efforts and local economic development programs such as Community Development Block Grants (CDBG) should be combined into a single Local Employment Development Program. This program would aim at using the combined resources to create employment opportunities in depressed communities to absorb the local labor force. In essence, we are suggesting that making new jobs is the most important issue, not training workers for bad or non-existent opportunities.

Few regular employers will take a chance on the persistently poor. Therefore, supported (i.e. subsidized) work ought to be provided for the "hardcore" unemployed through a certified network of community-based church and voluntary agencies. Long-term welfare recipients would be given an employment voucher after a specified number of months on welfare benefits irrespective of the number of children or other factors, unless they are certified as permanently disabled. The employment voucher could be used at any of the certified employers in exchange for housing subsidies, a portion (perhaps 75 percent, reducing over two years to 25 percent) of the wage. In a sense, this voucher would be used in the same way the College Work Study program works now.

## Community-Based Support for Dependent Adults

Recognizing that some "hardcore" individuals will never enter the mainstream, we should devise ways to keep them out of crime and above desperation. These individuals have disabilities such as mental health problems, criminal records, or social maladjustments. They are now separated from other normal adults by community pressure and lack of resources. A program that provided even minimal assistance to these persons in the form of an "adult foster care" could be developed.[32] This program would allow dependent adults to remain with their families or other adults. It would provide a small stipend to qualified families who would provide guidance and support to adults who were certified as not capable of providing for their own needs. Such a program would have to be carefully monitored to prevent fraud, but it would virtually eliminate homelessness and associated problems.

The adult assistance program would allow us to use welfare in a more creative and responsive manner. It could be coupled with charitable rehabilitation provided by non-government groups. This combination would present opportunities for independent living for socially disabled adults.

## A National Community Development Policy

A community development policy is needed to reinforce and reintroduce the neighborhood as one basic unit of social organization.

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[32] Rossi, Down and Out in America, has proposed Aid to Dependent Adults as a response to homelessness.

Such a policy is long overdue. Communities have been neglected as strong parts of the network that builds citizenship and reinforces values. In many poverty areas, nearly 60 percent of the children change residence every year. It is hard to know what to call home. Such transiency prevents stable community institutions from emerging. Moreover, even the financial and small business base of the community, no matter how poor already, is further undermined by constant movement of the population. Poor people move primarily because they lack the economic resources to stay anywhere for very long. Further, they cannot acquire very much of value (as we have shown) in the places where they live and work. Ownership is the key to wealth-building in any community. Renting and segregation combine to make people seek housing elsewhere. Therefore, it is important that the poor have the option to purchase apartments or homes in government projects or in the open market with government assistance.

More than three decades ago, Australian states developed housing opportunities for all citizens through a number of novel programs. First, public housing is built to the community standard. Tenants in public units are not, and do not feel that they are, in inferior facilities. Second, public-housing units can be purchased by renters, if they can obtain a very small downpayment and pay a portion of their salary (or their welfare payment) in monthly mortgage payments. Third, the government agency that produces public housing also produces market-rate housing in the same developments or in the same areas. This policy insures that communities are not transformed into ghettos through the concentration of low-income housing in a single sub-area of the city.

A similar approach is already at work in the United States through non-profit housing corporations. Many of these organizations have provided high-quality affordable housing units for a variety of clients with a range of incomes. BRIDGE Corporation of San Francisco, one of the largest housing development corporations in the nation, has pioneered in this approach,[33] which could become a national model.

Housing policy should include the provision for state and local governments, in cooperation with non-profit community developers, to purchase land and use various forms of development rights to build more affordable housing stock in low-income neighborhoods. Much publicly supported housing should be re-organized to allow occupants to acquire ownership. Such transfer of title would be coupled with a requirement that the unit can only be re-sold to the originating public agency or their designee, as in land-trust arrangements.

In addition, special affirmative-action desegregation loans and grants should be established to assist in the re-integration of urban neighborhoods. This would involve allowing low-income minorities to move out of the ghetto and provide incentives for middle-income whites or minorities to move into designated segregated areas. This approach might include no-down-payment loans with government backing similar to G.I. loans.

These loans would be combined with local rehabilitation grants to community-based non-profits to provide basic repairs to the housing stock. In addition, community land trusts should be encouraged to allow people to obtain reverse mortgages (taking out their equity and turning title of the property over to the lender) and not pay any tax on a limited portion of the income received. These programs provide loans and other incentives to remedy the accumulated effects of discrimination which have limited housing opportunity for minorities and people with special housing needs. Cleveland has introduced a program of affirmative desegregation using similar tools with considerable success. The Cleveland program provides for increasing white relocations into predominantly black communities and the reverse, seeking integration through careful racial balance.

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[33] BRIDGE Housing Corporation is a non-profit housing corporation founded in 1980 to produce housing for low and moderate income families in the San Francisco Bay Area.

In sum, rebuilding neighborhoods is not possible unless ownership stakes are increased and segregation reduced. This approach would reduce the effects of spatial lock, redlining, and deterioration of commercial buildings and the housing stock.

## Local Government Control

Local governments need greater control over their economies, to add to their economic stability and political viability. Communities all over the nation are competing to hold on to employers who have little or no local loyalty in spite of community investments that subsidize their operations or set-up costs. Local governments need more resources and more options in dealing with corporate decision-making. Plant-closure-notice legislation, for example, should allow the local government a right of first refusal for the acquisition of property that would be abandoned by the firm. Communities would be able to issue taxexempt bonds to facilitate these acquisitions and be allowed to enter into co-developments for such properties.

Most of the resources that local governments are employing to meet the needs of the poor are direct or indirect transfers from the national government. Housing is the prime example. The federal government provides housing assistance in the form of loans and vouchers that city housing authorities turn into dwelling units. The same is true of economic development activities, where the federal government extends its borrowing capacity to local institutions via the tax code and direct loan guarantees. Without such assistance, local government (even a minority-controlled local government), would resist providing for low-income persons any services, since they generate tax burden and not income. External assistance must be transformative, so that local governments see the poor as a resource and not as a liability. Low-income neighborhoods that are restored, and community groups that become active in voting and socially responsible, can make any local government view formerly depressed areas as important to the city's well-being. The short tenure of Mayor Washington in Chicago is a prime illustration of how community (and external) resources can be harnessed with a positive total approach to community development.

Community groups, as we have noted, make efficient use of federal or national foundation resources to promote education, training, social skills transformation, and the provision of shelter. Although many have moved away from that model in the 1980s, we propose they move back and re-invent methods of integrating personal development with economic change. Several measures for community commercial revitalization, such as commercial homesteading, should be developed with assistance from federal and state governments. These programs would allow cities to use their authority of eminent domain on blighted commercial and residential properties, purchase them for back taxes or assessed valuation, and transfer them to redevelopment authorities. The redevelopment authority would establish a trust fund or an existing non-profit, community-based agency could develop the property for commercial or residential use, under the condition that the title to the land remain with the redevelopment agency. Leasees would be bound by the provisions of the long-term lease only to operate activities on the site that met certain guidelines.

In addition, community development corporations should be encouraged in the same manner in which the land grant colleges were established. The federal government owns extensive lands, housing, and other assets in metropolitan areas. Much of this land is surplus. Under federal law this land is transferred to other federal agencies or local governments. We suggest that land grants be given to community development corporations as a means of capitalizing them. The selection of recipient community-based development corporations, as well as other capital-generating methods such as community development revenue bonds, can be designed to meet a variety of needs and objectives.

## A Universal Community Service Corps

A universal community service corps should be established nationally, requiring a minimum of two years' service for all persons between 16 and 25 years old (with exemption only for the most severely disabled). Educational vouchers for college or technical school would be awarded for every month of service beyond a minimum period, up to five years of post-service education. One purpose would be a flexible sopping up of excess labor, in periods of slack economy, partly to maintain high wages in the private economy.[34] Another prime purpose of a community national service corps would be to create more opportunities for social, racial, and economic mix in our society. Today's high levels of segregation (in neighborhoods, schools, jobs, as well as social life) by income, social status, race and ethnicity are dangers to the social system. The nation is becoming increasingly a nation of large ethnic groupings. Segregation among these groups, as we have shown, is increasing.

The community service corp would incorporate three features: first, a mandatory basic-training camp (perhaps state-wide) of several weeks' duration. The purpose of this camp would be to conduct diagnostic evaluations of inductees' educational and physical status, as well as to provide some fundamental training in general life skills such as primary and public health (including such specifics as CPR), personal budgeting, time management, and career development.

Second, recruits could select an optional assignment in a wide variety of existing community-serving national activities ranging from the Peace Corps to the Military Services, VISTA, Public Health Service, Teacher Corps, Job Corps, Headstart, the Red Cross, and others. Many opportunities for community development work would be made available with the proviso that participants would not ordinarily be allowed to complete their service in their own home community. To prevent abuse and differential treatment, all national services would be administered nationally but implemented with a multiplicity of local options.

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[34] Goldsmith and Vietorisz, "Operation Bootstrap."

Such a public "employment" program can provide effective relief, sensitive to labor market surges and collapses, of particular significance in times of underemployment. With adequate safeguards against threats to unions and other employee protections, such a comprehensive program can also provide an effective remedy to otherwise uneconomic projects in areas of conservation, rehabilitation, and personal services.

## BUILDING A LOCAL ACTION BASE FOR A NATIONAL PROBLEM

There is little doubt that the strategies proposed here, and others like them, will require considerable discussion, modification, and alteration to meet a variety of political circumstances. These strategies are put forward to provide a stimulus and form a framework for building an action agenda for cities. Without such specific proposals being advanced, there will be a tendency to treat all the separate elements of poverty, such as crime, drugs, housing, welfare, and unemployment, with different methods. No matter how much separate methods have merit in themselves, together they are unlikely (separately) to provide remedy in either the short or long-term.

The basic thrust of the initiative for proposals advanced here, as we have argued in Chapter Five, must come from the active mobilization of a collection of central city and metropolitan interests. These interests will be necessarily diverse and somewhat contradictory. Large-scale business should be interested in supporting these approaches, because they will help create the human capital that will be essential for the survival of American enterprise in the next century. Local activists will see opportunities for community action and development, as well as for dealing with social problems at the community level. Cities will see the potential to provide the resource base to deal with the problems they currently face without resources. Forging these relationships will not be easy--particularly when the common belief is that as the nation becomes more suburban in character, all political power and economics of consequence has shifted away from the inner city. On the contrary, both the political and the economic resource base of the inner cities are still potent. Big-city mayors are important political figures and command national attention; big cities are the homes of the major media; big cities remain the economic heart of the nation; big cities play a commanding cultural role. In all metropolitan areas, even suburbs ultimately depend in many ways on the social and economic health of central cities. Therefore, a real voting block of like-minded city interests could be very persuasive in dealing with the structural problems that cause persistent poverty.

An important resource in undertaking these initiatives is their long-term (and even short-term) cost-effectiveness. In nearly every case, we have suggested methods of implementation that are less costly than the current situation and more cost-effective than alternative remedies. We believe our proposals will add to the stock of human capital in the same way various G.I. bills helped stimulate national economic growth based on improved human capital.

Finally, saving and rebuilding our inner cities is important ecologically and economically. The city is still the most efficient civic organizational system in existence. The inevitable forces of energy resources, demographic change, and related development will make the city the best bet for the coming century. We firmly believe that this message can be transmitted to the American public as we prepare to meet tomorrow's problems with today's resources.

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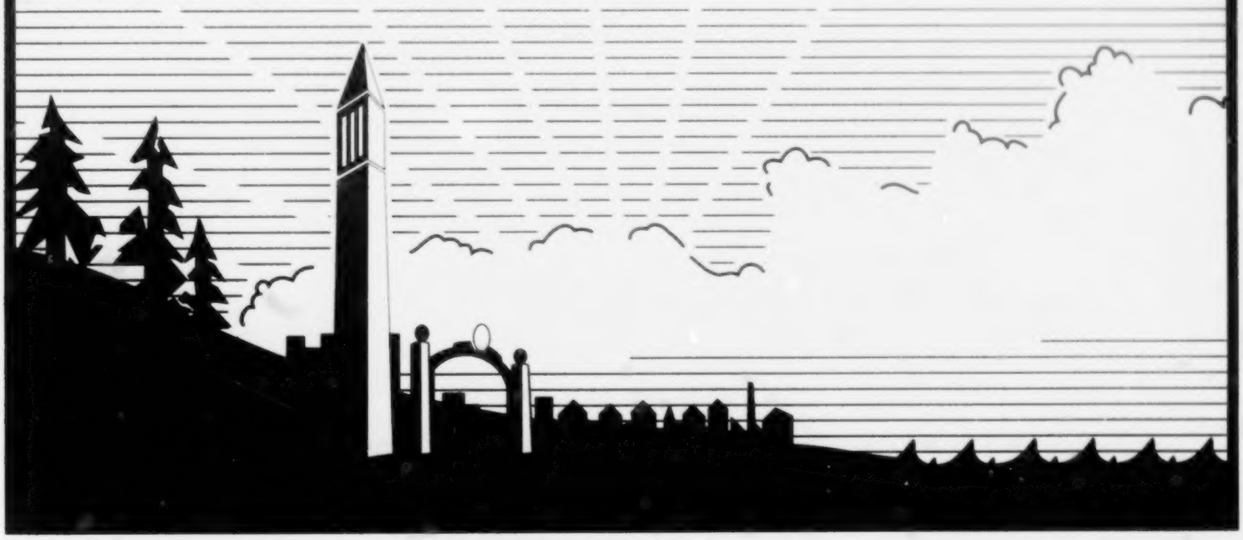

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